



## Importance of Project Stakeholder Management

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### Introduction

Effective stakeholder management is fundamental to the success of projects. Communication is one of the main mechanisms used in stakeholder management. According to the Project Management Institute (PMI, 2013), amongst those organisations considered to be highly effective communicators, 80% of projects meet original goals, 71% deliver projects on time and 76% within budget.

In this article, the importance of stakeholder management on projects in this new world of work is explored. We start by looking at stakeholder management and engagement on projects, before discussing stakeholder expectation management.

### Stakeholder management on projects

Stakeholder management is a key activity that requires focused attention throughout the project life cycle. Projects impact stakeholders, both internal and external to the organisation. The more people you affect, the more likely it is that your actions will impact individuals with high levels of power and influence over your projects. These people could be strong supporters of the project, or they could block it.

Stakeholder engagement is an important activity that is used to win support from others. It helps the project sponsor and project manager ensure that their project succeeds where others fail. Stakeholder identification and expectation management are continuous processes throughout the project life cycle.

Stakeholder management entails the identification of project stakeholders, gaining an understanding of them, their expectations and views, prioritising them using a stakeholder map, developing a stakeholder management plan, and, finally, engaging and communicating with them to ensure that stakeholder expectations are addressed throughout the project life cycle.

Historically, many owner organisations have adopted a passive and somewhat reactive approach to informing stakeholders of developments, relying upon traditional communication methods such as newsletters, press releases and annual meetings.

Such organisations frequently relied on a one-way communication and engagement strategy. Increasingly, successful organisations choose to be more pro-active and actively involve stakeholders in the decision-making process, particularly when developing new ventures. Successful organisations aim to encourage and ensure wider and more constructive engagement with stakeholders.

Stakeholders have the power to impede or promote a project. Stakeholder management is an important activity that is used to gain mutual understanding of the objectives and expectations of all parties. It aids in developing a concept that will gain support from all the interested and affected parties enhancing the likelihood of a successful outcome. Coolman (2015) says to keep a close eye on stakeholders who approve deliverables, and those who can stop or pull funding from your project. Obviously, the same applies to the influencers of such stakeholders.

The most powerful leverage point to improving capital project performance is the interface between the business and project functions. Yet, the link between these two functions is often weak. It should always be remembered that the only reason any project is initiated, is to satisfy a business need or opportunity. Buys (2020) highlights the need, and illustrates how, to focus on the business case throughout the life cycle of a project.

According to the Project Management Institute (PMI, 2013), everyone needs to understand the long-term objectives of a project so they can see how they are contributing, and how they are making an impact. This includes the business and project objectives. The project sponsor is responsible to always keep the team focused on the business objectives, whilst the project manager should clearly communicate the project objectives and how they will support the achievement of the business objectives. A solid partnership is required between the project sponsor and project manager.

## **Project stakeholders**

### **Opening remarks**

Some stakeholders can be more important than others through the different project stages. During the stakeholder identification and mapping process, consideration is given to establishing who these stakeholders are and what they expect from the project. Additional questions that can be asked in planning the strategy to engage them more actively, are:

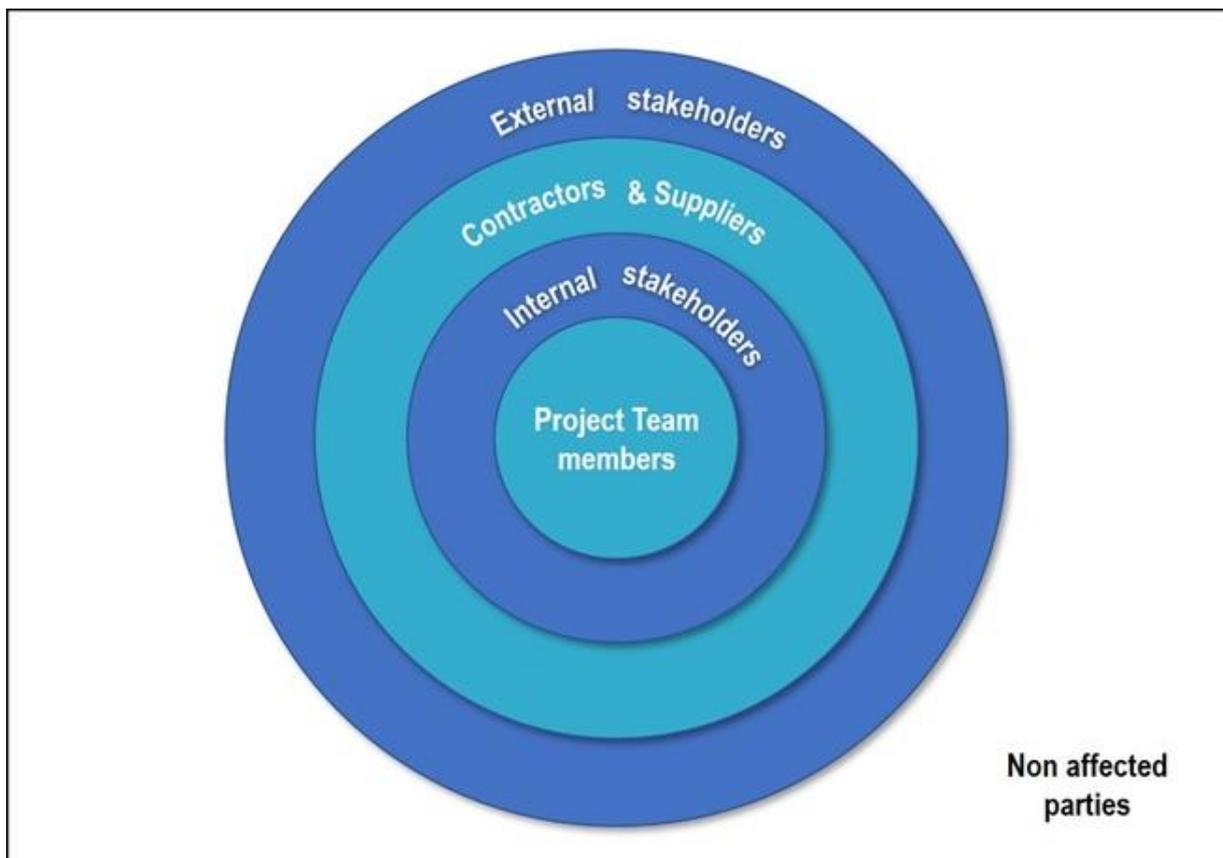
- What information do they want?
- What is the best way to engage and communicate with them?
- If they hold a positive view, how to capitalise on these attitudes to benefit the project?

- If they hold negative views towards your project, what will win their support and approval of the project? and
- If their negative views persist, how can their opposition be managed?

Before aiming to engage and influence stakeholders, it is crucial to seek to understand the people you will be working with and relying on throughout the phases of the project life cycle (APM, 2020). Sharing information with stakeholders is important, but it is equally important to first gather information about your stakeholders.

Once identified, stakeholder should be mapped based on their power over the project and interest in the project. This stakeholder map will provide a clear view on how to approach the project stakeholders. As depicted in Figure 1, four key categories of project stakeholders can be identified for any project. The categories are:

- Project team members;
- Internal stakeholders;
- Contractors and suppliers; and
- External stakeholders.



**Figure 1: Stakeholder Categories**

Each of these categories of stakeholder is discussed in more detail in the following sections.

### **Project team members**

The project team refers to any full-time or part-time members of the project team. In other words, it will include the project, business and technical project team members that are dedicated to the project, and any functions, disciplines or experts supporting the project on an ad-hoc or part-time basis.

Project team members are often overlooked and neglected as stakeholders. It is crucial to know who is working on your project and to keep them engaged and in the loop on relevant issues.

### **Internal stakeholders**

Internal stakeholders refer to stakeholders that form part of the organisation that is undertaking the project. They include:

- The project sponsor;
- The project management office;
- Company directors;
- All other employees and officers of the organisation who own the project;
- Centralised company functions; and
- Other businesses within the holding company affected by the project.

### **Contractors and suppliers**

Contractors include all contractors, suppliers or fabricators that support the project outcomes. They are involved in executing the project in all stages from Initiation to Implementation. It could include:

- Design engineers;
- Technology suppliers;
- Engineering consultants;
- Managing and engineering contractors;
- Equipment fabricators;
- Constructors; and
- Equipment and raw material suppliers.

It also includes all external supporting or specialist contractors and consultants such as environmental consultants, business advisors, legal and financial advisors.

## **External stakeholders**

External stakeholders include all interested and affected parties external to the organisation. External stakeholders include:

- Local communities;
- External investors;
- Government at the various levels (local, provincial, and national, and in some instances international),
- Non-government organisations (NGO's) or any other interest group or pressure group;
- Organised labour, such as unions;
- Media;
- Industry peers;
- Local businesses;
- External business competitors;
- Potential partners; and
- Any other interested and affected parties.

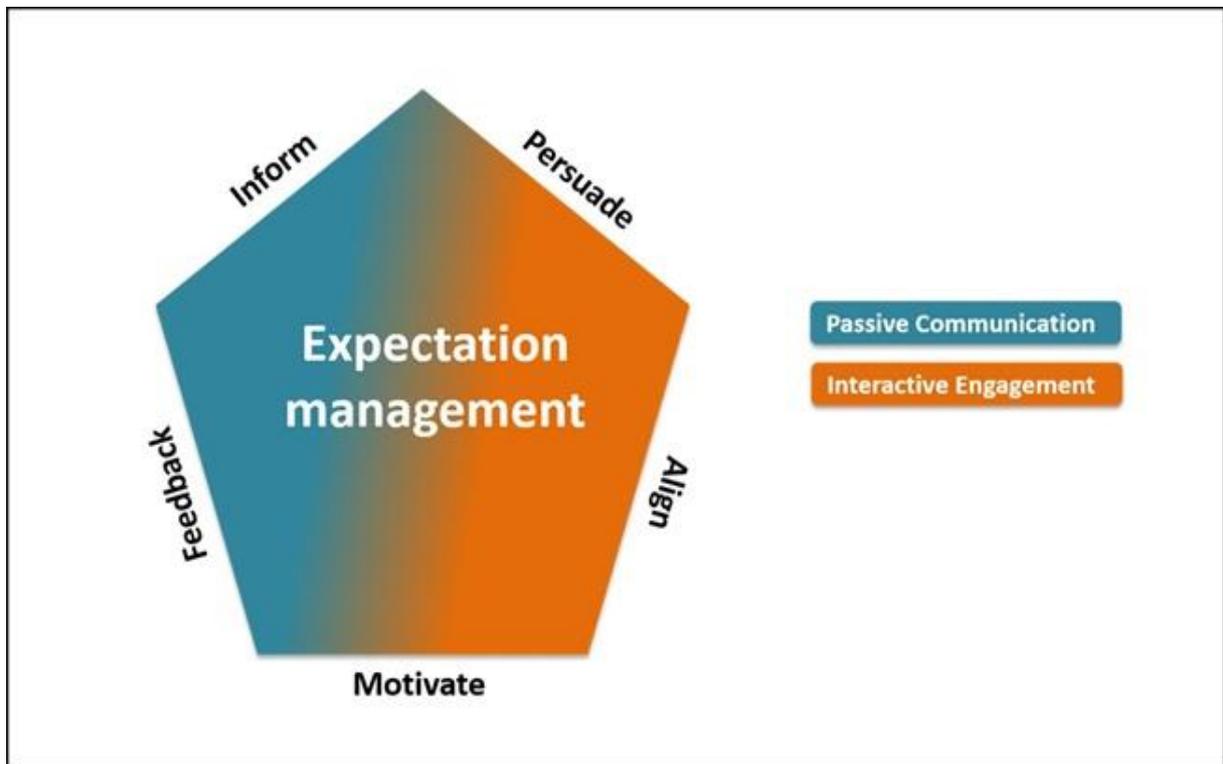
## **Expectation management**

### **Opening comments**

Managing expectations may be one of the biggest challenges when it comes to project stakeholders. You may think that you have clearly outlined important factors and expectations, but forget that you are dealing with individuals who have their own frames of reference, agendas, and assumptions.

As shown in Figure 2, there are five communication and engagement processes that can be followed to create opportunities through which stakeholder expectations can be met, namely:

- Inform;
- Persuade;
- Align;
- Motivate; and
- Feedback.



**Figure 2: OTC Expectation management processes** (van der Walt, 2016)

These five processes are discussed in more detail in the sections that follow.

### Inform

Informing is a passive communication process of sharing goal-orientated and verifiable information to important stakeholders. It is a means of getting all stakeholders on the same page as to what the project is all about, how it will be executed and how it will potentially impact stakeholders. By using the stakeholder analysis process, you can identify who needs to be interacted with, at what level and how to best communicate with them.

Some important elements that should be included in the informing process on a project include:

- The business objectives;
- The project vision and objectives;
- Project assumptions, givens, and constraints;
- Project and governance structures;
- Possible impacts on stakeholders; and
- Impending risks and opportunities.

Do not hesitate to overdo the communication about the project, its rationale, and its impact.

## Persuade

Persuading in the context of a project is the means to provide sound reasons for someone to align with the project objectives. It is a two-way process that requires mutual understanding and consideration. It is a crucial process that must be implemented continuously throughout the project life cycle.

Persuasion can be either formal or informal. Formal persuasion is, for example, where a project director has positional power and can enforce decisions by virtue of position. Informal persuasion occurs when stakeholders are persuaded through influential power. Project sponsors and project managers should apply good people skills to persuade stakeholders without having to resort to using their positional power.

## Align

Alignment is a mutually rewarding relationship between the project and its stakeholders that enables the organisation to meet its business and project objectives. Alignment can only be achieved through effective communication.

The main function of alignment is to ensure that all individuals have a thorough understanding of the project purpose and objectives. It is also about creating an environment in which members can identify themselves with the project goals.

Factors to consider in ensuring successful alignment include:

- Sharing the relevant facts about the project truthfully;
- Completing the full listening cycle, namely hearing, understanding, and judging;
- Guiding stakeholders to see 'what's in it for them'; and
- Alignment requires meeting all parties' objectives.

## Feedback

Feedback is a critical process in closing the loop when communicating on projects. Once a project has been initiated and stakeholders have been informed about the project objectives it is vital to keep these stakeholders in the loop with feedback on progress, risks and issues faced by the project. Feedback is centred around how the project is performing in terms of cost, scope, and schedule and to what extent changes to the project environment are impacting promises and forecasts.

Feedback can give clarity on the following aspects:

- Whether the project is on track in terms of cost and schedule;

- Whether project performance expectations are being met;
- Whether the project can provide training and work opportunities;
- Where improvement is necessary and how it can be achieved;
- Project changes impacting project performance; and
- Evolving risks and how they are managed.

Up to date information and feedback is key to put stakeholders' minds at ease. If stakeholders are left in the dark, rumours prevail, and, because of the uncertainty, stakeholders may start interfering in the project.

## **Motivate**

Motivation is about creating positive interest in the project. If you have motivated stakeholders, you automatically have driven and invested supporters that are focused on the ultimate objectives of the project. Aside from keeping stakeholders invested, motivation is also a tool you can use to continuously foster excitement surrounding the project, both internally and externally.

Building motivation can be achieved through:

- Emphasising personal benefits to stakeholders;
- Emphasising overall benefits of the project; and
- Continuously communicating project successes.

It is prudent to under-promise and over-deliver on stakeholder expectations, rather than over-promise and under-deliver. Strive to pleasantly surprise all stakeholders.

Before communicating or engaging with any stakeholder, give careful consideration which one of these processes apply, and then develop your engagement strategy and techniques based on the process.

## **Concluding remarks**

The COVID-19 pandemic has further increased the challenge of stakeholder management on projects. Social distancing effectively prevents large meetings, or even interpersonal contact. It is strongly advised that great effort goes into getting to know your key stakeholders. This can be done through smaller meetings, in person, or multiple online meetings where video is used to get to know the person on the other end. Using video during online meetings is not possible when sharing documents or presentations. However, it is critical for initial contact when establishing a relationship. It allows for seeing a person's facial expressions and body language. Once a sound

relationship has been established with the key stakeholders, one can move to using other modes of communications other than in-person meetings, and online meetings.

Do not underestimate the importance of stakeholder management and engagement. According to PMI (2013), poor communicators complete projects where 52% of projects meet original goals, 37% are on schedule, and 48% within budget. However, pre-COVID-19, only one in four organisations were described as highly effective communicators (PMI, 2013).

PMI calculates that one in five projects fail because of ineffective communication. In the current economic climate where large group meetings and face-to-face discussions will be limited, it will be more difficult to communicate effectively. Hence the importance of effective stakeholder management, engagement, and communication.

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