Project Services Pty Ltd

CONCEPTS FOR A
'STAKEHOLDER CIRCLE'
MANAGEMENT TOOL

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ABSTRACT

A project can only exist if its Stakeholder Community agrees to its creation and continues to support its existence. Therefore, knowing the relative importance of the different stakeholders (and stakeholder groups) to the overall project is vital. A new technique, using the concept of the *Stakeholder Circle,* is described to visualise the relative breadth and depth of power exercised by individual stakeholders. This technique allows project management effort to be focussed where it is most needed and the role of the Project Manager changes from an inward-looking focus on managing the project to a wider role that overtly encompasses the management of the Stakeholder Community including: -

- Evolving the *Stakeholder Circle* as the project develops and progresses

- Setting and managing stakeholder expectations (eg setting realistic time, cost, scope, quality targets)

- Maintaining the stakeholder consensus

The outcome to be expected from bringing the Stakeholder Community directly into the project management processes, as described in this paper, is to ensure more projects deliver to their full potential to the benefit of their host organisations and the community.

DEFINING AND MANAGING THE STAKEHOLDER COMMUNITY

Understanding Stakeholders – Who Are They?

Stakeholders are the group of people (as individuals, organisations, associations and/or loosely defined collectives) that have an interest in the project and either contribute to or are impacted by its outcomes. For a project to be deemed successful, a large proportion of the stakeholder community need to be satisfied with its outcomes.

Stakeholders may include (without any priority being attached to the order): -

- The project team including: -
  - Staff
  - Contractors
  - Suppliers
- The Project Manager
- The Performing organisation
  - Senior management
  - General management
  - Peers and colleagues
  - Other divisions and sections
  - Sponsors
  - Other employees and contractors
- Project Owners/Sponsors/Financiers
  - Clients
  - Bankers
  - Investors
- Users of the product created by the project (internal and/or external)
- Competitors of the project/product
- Regulatory authorities
- The general community
  - Impacted by the project
  - With an opinion regarding the project

The above list is far from complete and will vary depending on the nature of the product being produced by the project. A new Freeway will have a completely different stakeholder community to an in-house software upgrade. However, all stakeholders can be viewed as having two characteristics that in combination give an indication of the importance of managing the relationship with them: -

- They can be closely associated with the project, or relatively remote.
- They can have significant power to influence the project or relatively limited power.

Almost all project managers recognise the importance of managing relationships with powerful stakeholders close to the project. Decisions on the allocation of scarce project management resources

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need to be made in respect of relatively weak stakeholders (irrespective of their closeness). Powerful stakeholders remote from the project present the greatest risk (and are often the most difficult to identify).

As well as appreciating the relative importance of different stakeholders based on their proximity and power, knowing the most appropriate way of managing different types of Stakeholder is an essential part of a Project Manager's art and craft. Therefore, the next stage in analysing the project's stakeholder community is to recognise the different styles and directions of management needed. Briner et al[1] have described six different directions (or "lookings"), Bourne[2] has added a seventh, Figure 1 is the result of Bourne's research.

The three styles of management identified in Figure 1 are: -

1. The **Craft** of (Project) Management – this includes all of the traditional techniques and processes described in the PMBOK such as Scope definition, WBS, Schedules, Status reports, etc.

2. The **Art** of Leadership – this encompasses the relationship skills of team building, motivation, effective listening, etc.

3. **Third Dimension** Skills – this encompasses the difficult areas of corporate and organisational politics, ie knowing how the performing organisation actually functions and how to garner the necessary support, authority and assistance needed to allow the project to function effectively.
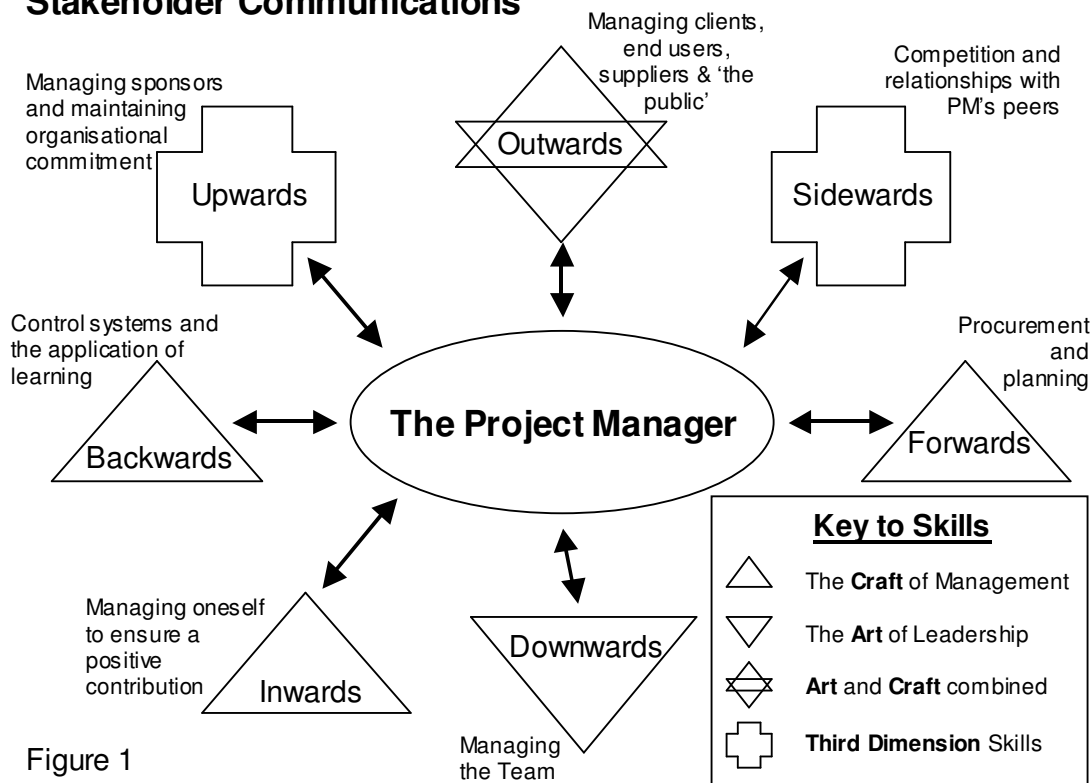

Figure 1

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1   Briner, W., Hastings, C. and Geddes, M. *Project Leadership*. © Gower 1996

2   Lynda Bourne *What does a Project Manager need to deliver successful projects*. DPM, RMIT, Reflective paper 2002: https://mosaicprojects.com.au/PDF_Papers/P008_What_Does_A_PM_Need.pdf

After considering the relative importance of each stakeholder and the appropriate style and direction of management needed to achieve optimum results, the project team is in a position to engage constructively with their stakeholder community (always recognising they are a part of that community).

Stakeholder Engagement – The need for Informed Consent

Managing the stakeholder community effectively is central to the success of every project (ref. Bourne[7]).   The project (and project manager) needs various members of the stakeholder community to provide support, finance, resources, know-how, facilities, approvals, etc. Some of these inputs the project is entitled to expect "as of right" others need to be negotiated. If the project is internal to an organisation, on-going relationships also need to be considered, as does competition from other projects for scarce resources. The upshot is a project whose project team actively manages and maintains good relationships with its stakeholder community will be significantly better off than one that does not.

However, there are a number of major issues confronting the project manager and the project team in their endeavours to actively engage with their stakeholder community: -

- There is never enough time or resources available for a complete stakeholder management process. The key period for identifying stakeholders and developing relationships is at the beginning of the project and at this time, the project team are confronting all of the other issues identified by Weaver and Bourne in their paper '*The project Start-Up Conundrum*'[3].

- The initial stakeholder assessment needs to be continually reviewed and updated/modified as circumstances change (in a similar way to effective risk management processes).

- The relevant stakeholder group needs to be identified very early and brought into the basic agreements on the structuring of the project. This is almost a 'chicken and egg' situation – agreement of the stakeholder group is needed to create a project under the definition proposed in this paper, but a project is required to allow proper definition of its stakeholders. In reality this is unlikely to be a real issue as there are inevitably extensive discussions/negotiations surrounding the start of any project.

- Care is required to keep the project outcomes focussed on the strategic requirements of the business. Stakeholders may have other agendas and/or may not be fully aware of the current strategic direction of the business. Achieving stakeholder consensus to a project that no longer aligns with a businesses' strategic plan will inevitably lead to failure.

- In many circumstances, stakeholder management translates directly into the need to obtain a commitment from the stakeholder to provide resources or assistance to the project. This commitment needs to be made on the basis of an informed buy-in and acceptance of specific performance criteria (eg dates, quantities/numbers, etc). One method for achieving this type of commitment using the project schedule as a tool is described in Mosaic's paper '*5-STEPS*'[4].

- Stakeholder expectations need to be carefully set and then managed. Unfulfilled expectations are a major source of dissatisfaction with project outcomes (irrespective of the reasonableness of those expectations).

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[3]   Patrick Weaver & Lynda Bourne. **The Project Start-Up Conundrum**. 2001:
https://mosaicprojects.com.au/PDF_Papers/P003_Conundrum.pdf

[4]   Patrick Weaver et al. **5-STEPS - Five Steps To Ensure Project Success**. 2001:
https://mosaicprojects.com.au/PDF_Papers/P004_5-STEPS.pdf

- It is never going to be possible to have a positive relationship with all stakeholders, all of the time. Outputs from the stakeholder analysis should include inputs to the project's risk management processes and/or issues management processes.

- Obtaining commitment is only the beginning; any commitment on the part of a stakeholder to future actions needs to be maintained and reinforced on a regular basis. Mosaic's paper '*Managing for Success – The Power of Regular Updates*'[5] addresses one aspect of this issue.

- Other stakeholders require information, reports and briefings (either to garner support or dissipate problems). After the initial relationship is established, time and effort needs to be spent keeping the stakeholders informed, in touch and 'on side' (with their expectations aligned with 'reality'). This problem is compounded by the inevitable changes to scope, schedule, costs, etc., encountered as the project progresses[6].

- Changes in the project's environment (eg the business changes its strategic direction), need to be dealt with as a part of the overall stakeholder management process (not simply as an internal technical issue).

The only way to manage the workload these recommendations generate is to carefully plan and prioritise the stakeholder management processes and allow adequate time and resources in the project schedule. The project team can always use proactive stakeholders (sponsors, champions, etc) to assist in the management of other stakeholders provided they properly brief the people concerned, but again careful planning and monitoring of the process is required. Deciding on appropriate stakeholder management strategies is made easier if the project team can visualise the full spectrum of stakeholders in an easy to understand way.

The Stakeholder Circle – A Visualisation Tool

The *Stakeholder Circle* is based on the premise that a project can only exist with the informed consent of its stakeholder community. Some stakeholders can (either alone or operating as a group) kill the project using their own power (eg by withdrawing all funding). Other stakeholders have the power to damage the project but cannot on their own cause it to be cancelled or fail – this is the power axis in the stakeholder circle.

The other axis is the amount of influence a stakeholder has on the project (linked to proximity). Some stakeholders have significant influence and interaction with the project others are either relatively remote and/or have little interaction. The *Stakeholder Circle* takes these two aspects and presents them in a visual way to allow decisions to be made on the amount of effort the project team will allocate to managing their relationship with any given stakeholder.

A small circle in the centre of a larger one represents the "project". The space between the two circles represents the Sphere of Influence of the whole stakeholder community (including the project manager and project team). The overall size (or area) of a stakeholder's segment gives an indication of the overall importance of that person (or group of people).

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5   Patrick Weaver. **Managing for Success – The Power of Regular Updates**. 2002:
     https://mosaicprojects.com.au/PDF_Papers/P002_MFS_Full.pdf

6   For more on **stakeholder communication** see: https://mosaicprojects.com.au/PMKI-PBK-040.php

The Stakeholder Circle

This Stakeholder has limited influence but the power to kill the project

These stakeholders are relatively remote but influential (eg suppliers)

This is an influential Stakeholder close to the project (eg the Project Manager)

The project team are close to the project but have limited individual influence

This group of Stakeholders has significant influence and the power to kill the project (eg a project board)

The project clients may have limited individual influence and be remote but have a significant influence as a group
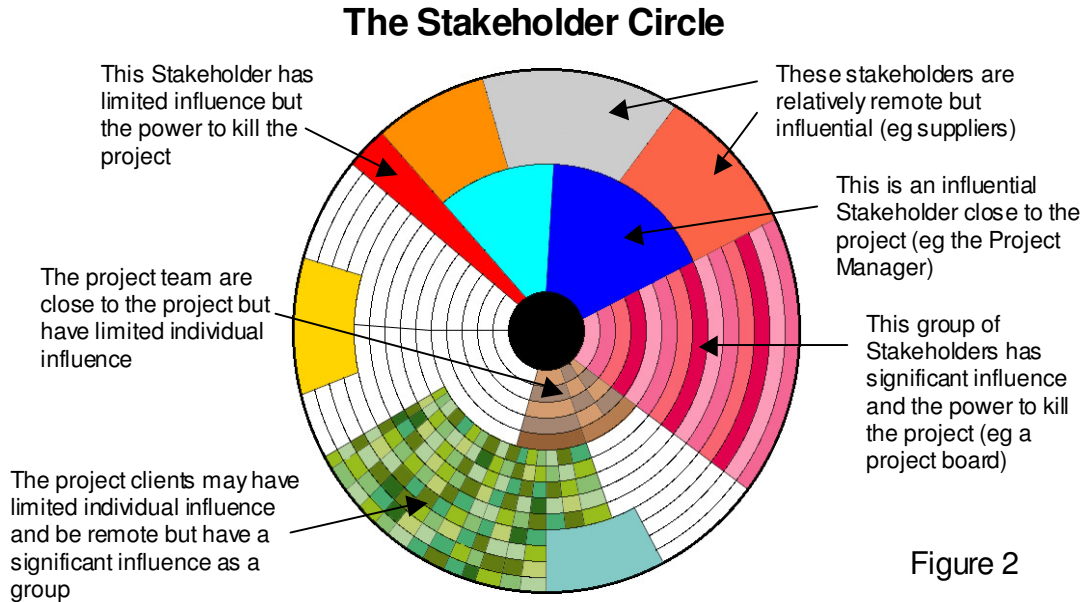
Figure 2

The following factors are considered when positioning a stakeholder within the circle: -

- The radial depth of each stakeholder's segment represents the power of that stakeholder. Any stakeholder (or group of stakeholders) that can completely break the circle if they withdraw support can kill the project.

- Each stakeholder's degree of influence is represented by the width of their segment, the wider the segment, the greater the influence.

- The proximity of a stakeholder to the project is represented by how close their segment is to the project in the centre.

The example of a *Stakeholder Circle* in Figure 2 is incomplete but demonstrates all of the key attributes of the diagram. As the technique currently stands[7], the development process for creating a *Stakeholder Circle* is totally visual and subjective. However, there is considerable potential to develop this concept further and create an automated template to facilitate its use by project teams.

The outcome of the visualisation process is to facilitate decisions on where the project team need to concentrate their stakeholder management effort, based on an understanding of such elements as: which stakeholders need to be involved in the project definition and planning processes, who are the key and relevant stakeholders. Only after an insight has been gained to these questions, can a true stakeholder-centric planning process be commenced.

Project Documentation and Reports – A Change of Purpose

One of the key objectives of project technicians practising the craft of project management has been to attempt to generate 'correct' documentation - the ideal WBS, the perfect schedule. To a large degree, this ideal has been supported in the various standards and BOKs and in legal contracts (eg the

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[7] This paper was published in 2002 to introduce the concept of the **Stakeholder** *Circle*, since then it has been defined and developed as a practical tool, see: https://mosaicprojects.com.au/PMKI-TPI-076.php

concept of a contract schedule that is accurate for the life of a project and cannot be altered). Unfortunately, there is no absolute truth in project documentation and attempts to find one often tends to alienate stakeholders.

This is not to suggest there are no correct processes and/or calculations; there obviously are and where appropriate these should be followed rigorously. However, the way these processes are applied to a particular project should not be bound by the search for a non-existent absolute truth. The objective of all project documentation in a stakeholder-centric project management process is to obtain consensus and agreement on how the project should be implemented starting with agreement on the overall scope, agreement on how the scope is decomposed into appropriate work packages, how these are scheduled, etc. In all of these processes, the project management technicians have a say (after all they are stakeholders as well) but their "say" should be constrained within the overall objective of reaching a generally agreed position among all of the relevant stakeholders. Mosaic's '*5-STEPS*'[9] methodology uses this approach to develop the project schedule in conjunction with stakeholders, then "lock-in" their agreement.

Another consequence of the move to a stakeholder-centric project is the elevation of the communication plan to a central role in the overall management of the project. The project cannot maintain consensus and support from its stakeholder community without an effectively managed (two-way) communication plan. The plan should include (for each stakeholder): -

- The frequency of communications.

- The content and purpose of each communication.

- Who is responsible for generating the report (or other communicated information).

- Who is responsible for explaining the report to the stakeholder and maintaining the relationship.

Expecting the Project Manager to be responsible for the stakeholder management processes on his/her own is not practical in any but the smallest of projects. Stakeholder-centric Project Management is a new way of doing business that impacts on the whole project team.

CONCLUSION

For projects and Project Management to deliver their full potential to the betterment of business and the community, the special nature of our craft and art needs to be recognised. Historically, successful projects have been credited with achieving major gains in productivity and predictability.

However, success cannot be achieved without managing stakeholder expectations and influencing them to act to the benefit of the project. Research by Bourne and others is increasingly highlighting the link between successful stakeholder management and successful projects. More research is required to understand the full importance of this multi-layered, multi-faceted interaction. However, the ideas contained in this paper offer some practical thoughts and suggestions that most project teams can make use of immediately.

Definitions of 'Stakeholder' used in this paper

1. **Key Stakeholder:** A stakeholder (either individual or organisation) that has the power to "kill" the project.

2. **Relevant Stakeholder:** Stakeholders (usually from within the **performing organisation**) that have input as to how the endeavour should be accomplished.

3. **Stakeholder:** Stakeholders are the group of people (as individuals, organisations, associations and/or loosely defined collectives) that have an interest in the project and either; contribute to, or are impacted by, its decisions and outcomes.

4. **Performing organisation:** (*PMBOK® Guide*) the enterprise whose employees are most directly involved in doing the work of the project.

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