

Stakeholder Engagement is 'free'!

The Zero Cost of Stakeholder Relationship Management

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Stakeholder Engagement is 'free'

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Today

- ▶ First – a story...
 - ▶ BP and the 'disaster' in the Gulf of Mexico
- ▶ Value
- ▶ Stakeholders
 - We know we have to do it!
- ▶ Stakeholder engagement is 'free'
 - Investment balanced by reduction in rework
 - What happens when 'bottom line' is more important
- ▶ PMOs and value
 - Champion effective stakeholder engagement



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BP's Gulf of Mexico 'disaster'



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The background

- ▶ April 20 2010, *Deepwater Horizon* Mocondo well exploded and sank
- ▶ 11 workers died
- ▶ The well was 1500 metres below water
- ▶ BP engineers capped the well 15 July, 2010
- ▶ The enquiry commissioned by the US Government put the blame on BP
- ▶ Eventually BP accepted responsibility
- ▶ There are ongoing disputes with BP partners



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The cost of the 'disaster'



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Enquiry findings

- ▶ National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling (January 2011)
- ▶ BP, Halliburton, and Transocean had attempted to work more cheaply and thus helped to trigger the explosion and ensuing leakage
- ▶ Government regulators did not have sufficient knowledge or authority to notice these cost-cutting decisions



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One year after

- ▶ 10 new permits have been granted for offshore drilling
 - "Industry must demonstrate capacity to deal with spills"
- ▶ Health effects
 - Skin conditions + psychological
 - Concerns about contamination
- ▶ Many individuals subsisting on 'handouts' from BP and temporary work cleaning up
- ▶ BP on twitter.....



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BP organisation

- ▶ Began in 1901 in Persia
- ▶ Benefit from increased reliance on petrochemicals
- ▶ 1988 – 2000 a series of mergers with other companies - particularly in the US
- ▶ "one of the ten worst corporations in both 2001 and 2005" - based on its environmental and human rights records



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BP culture

- ▶ Browne (CEO) initially aspired to a 'knowledge management culture'
 - But later insisted on 25% cuts across all BP.
- ▶ Conflicting cultures from M&As not resolved
- ▶ Lack of clear lines of responsibility
 - Company-wide, BP managers routinely ignored standard procedures
 - "A lack of respect for audit findings"
 - "Mavericks" were tolerated
 - "Lack of corporate memory"



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BP gambled on safety!!

Assumed that:
the likelihood of occurrence of the blowout was
VERY LOW:
EVEN IF – impact VERY HIGH

**Shareholder value = shareholders considered
MOST IMPORTANT STAKEHOLDERS**



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Value

- ▶ What is *value*?
 - In finance terms (tangibles)
 - ?intangibles? (human capital)
 - Total market value (tangibles + intangibles)
- ▶ Value and quality are connected
 - Sum of all features to satisfy customer needs
 - Conformance to specifications
 - Absence of defects + presence of value
- ▶ Extension to consider ALL stakeholders
 - Not just customers
 - Or shareholders



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Zero cost

Balance between:

- ▶ Cost of investing in improving quality process and practice
 - Or stakeholder engagement process and practice
- ▶ And reduction in rework
 - Through failure to DO IT RIGHT FIRST TIME
- ▶ 'Failure dollars' can measure the cost of *putting things right – whether through*
 - Inaccuracies in delivery or billing
 - Customer complaints
 - Loss of reputation



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'Failure dollars' spent on products and services that do not meet customer requirements

"The cost of poor quality make up as much as 15% to 30% of all costs"

(De Feo 2011)



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Who are stakeholders?

- ▶ Individuals and groups who may impact the work or its outcomes
- ▶ OR
- ▶ May be impacted by the work or its outcomes
- ▶ This applies to ANY activity that an organisation may do – includes projects



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**Stakeholders have
a 'stake':
and expectations**



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Success = perceptions of expectations met

- ▶ Stakeholder community changes over time
- ▶ You cannot assume or guess the expectations of your important stakeholders
- ▶ Communication is the ONLY tool for stakeholder engagement



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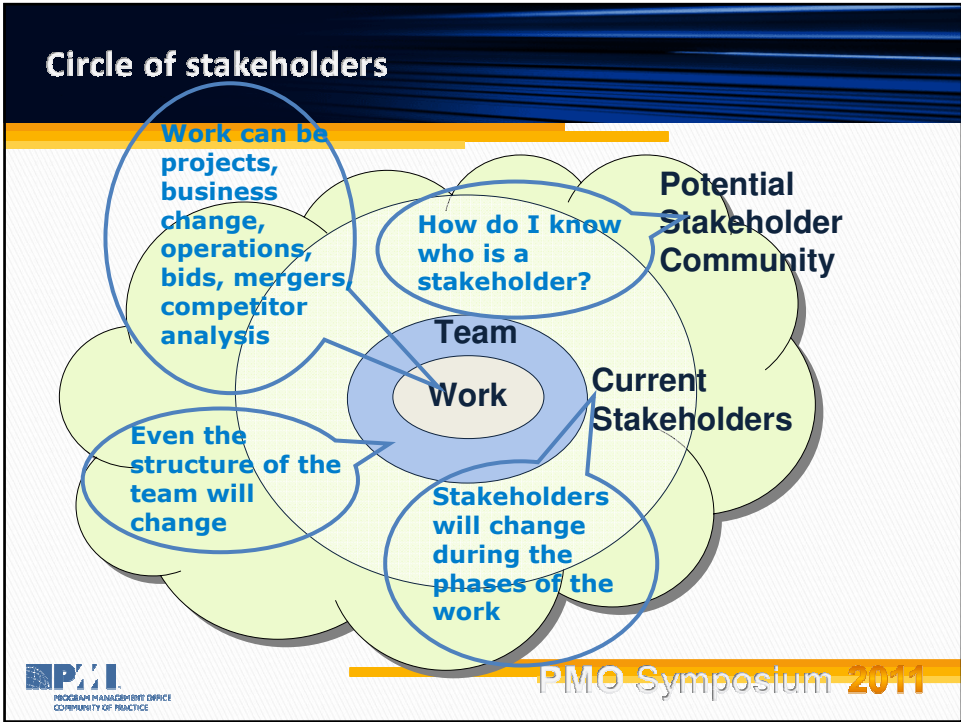
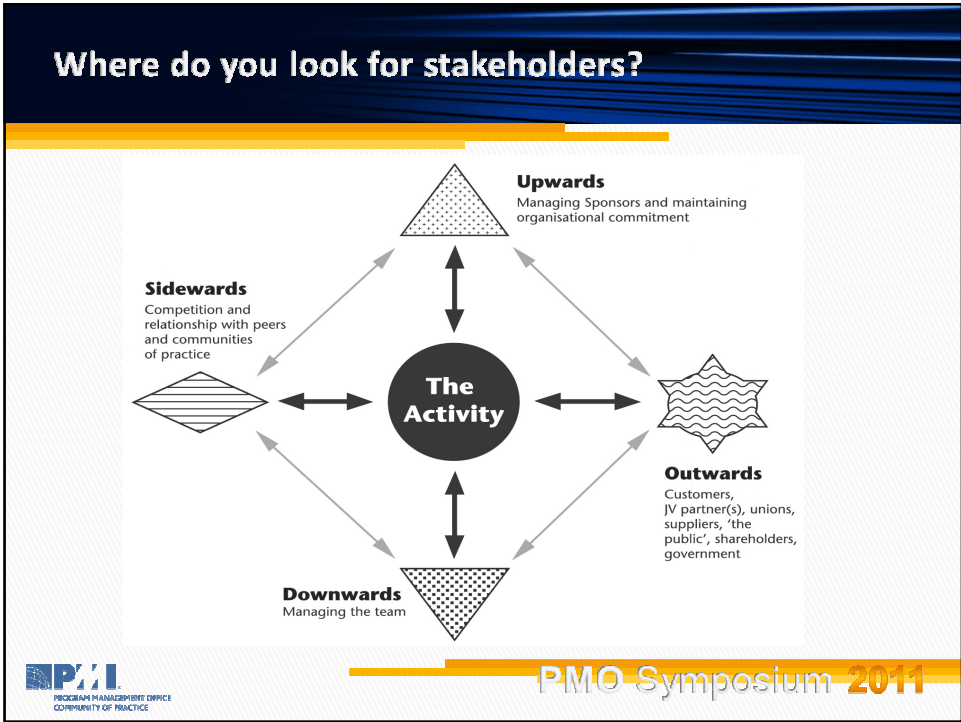
**Beware of
stakeholder myopia**



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The methodology

- ▶ Step 1: *identify* all stakeholders
- ▶ Step 2: *prioritise* stakeholders
- ▶ Step 3: *visualise* the community
- ▶ Step 4: *engage* all stakeholders
- ▶ Step 5: *monitor* the effectiveness of the communication



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- ▶ **'\$0 cost of quality'** -*The cost of implementing quality management = savings in rework*
- ▶ **Time and cost of engaging ALL stakeholders** -
Greater than cost of rework or failed projects
- ▶ Stakeholder Circle is flexible and adaptable,
- ▶ BUT NEEDS AN ORGANISATION PRESENCE
- ▶ An important role for the PMO!



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PMO and value

A = Aware
R = Responsible

	1	2	3	4	5	6
	Monitor and Control	Methodology and resourcing support	Mentoring and PM career support	Governance support/ Strategy alignment	Value delivery/ benefits realisation	Manage relationships
Project - PjMO	R	R	A? R?	A	A	R
Program - PgMO	R	R	R	A? R?	R	R
Portfolio - PtMO	R	R	R	R	R	R

PMI PROGRAM MANAGEMENT OFFICE COMMUNITY OF PRACTICE

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Final words on value

- ▶ Effective stakeholder engagement adds value to organisations
- ▶ **First** the organisation must INVEST - People, training, processes
- ▶ **THEN** sustained by leadership support and sustainable training and encouragement
- ▶ **FINALLY...**
- ▶ The PMO will provide the platform and infrastructure to ensure that the organisation achieves maximum benefit from stakeholder engagement

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My vision for the PMO

- ▶ Emphasis moves from the tool for organisation control
- ▶ Becomes a trusted advisor in governance and organisational strategic planning and implementation
- ▶ Is the champion for SUSTAINABLE stakeholder engagement in the organisation
- ▶ Chief facilitator in any organisation's attempts to provide most value
 - Best investment in people and process
 - Support for sustained value generation through stakeholders



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