Chapter 7: Project Stakeholder Management

One of the major concerns coming forth in the management of projects is the recognition and “management” of project stakeholders. These stakeholders are project team members, higher level managers, and outside organizational entities such as contractors, subcontractors, customers, regulators, financial institutions and other claimants who have—or feel that they have—vested rights in the project. Acceptance of the notion of project stakeholders means that the project has to be managed from an overall perspective of all of the stakeholders—not just the customer(s) and the organizational owners.

Organizational stakeholders have been defined in the context of a business organization. Table 7.1 shows a model of generic organizational claimants (stakeholders) and their claims (stake) for a business organization. The model requires the key managers to develop an appropriate strategy to manage the organization through:

- Identifying appropriate stakeholders
- Specifying the nature of the stakeholders’ interest
- Measuring the stakeholders’ interest
- Predicting what each stakeholders’ future behavior will be to satisfy her or his stake
- Evaluating the impact of the stakeholders’ behavior on the project team’s latitude in managing the project
The value of using a model like Table 7.1 is to establish a point of departure for developing a model appropriate to a project. It is interesting to know that an environmental group may be concerned about the outcome of a project. But it is vital that the project team have a specific delineation of the various strategies that a stakeholder, such as an environmental group, intends to employ in satisfying those stakeholders’ goals and objectives, along with a prediction of the future impact of those stakeholders’ actions on the project’s outcome.
The political side of project management is very real. The project manager who neglects the building and maintenance of alliances with key political stakeholders will soon find indifference or opposition to his or her project. Projects can and do fail because of politics. Some of the lessons learned concerning politics and projects include:

- Tell the story of the project so that all stakeholders understand its rationale and purpose.
- Senior management must be fully behind the project.
- Project managers must sell their project to the stakeholders, particularly those who are “nonbelievers.”
- Benefits must be widespread and provide something for all stakeholders.

**Some Examples of Stakeholder Influence**

Some recent project management experiences highlight the role of these stakeholders:

- In the investigation of management prudence on the Long Island Lighting Company (LILCO) Shoreham project, Suffolk County, the New York State Consumer Protection Board and the Long Island Citizens in Action (intervenors) argued that the project suffered from pervasive mismanagement throughout its history. The record, in the view of these intervenors, established that approximately $1.9 billion of Shoreham’s cost was expended unnecessarily “as a result of LILCO’s mismanagement, imprudence or gross inefficiency.”

- One reason that the Supersonic Transport program failed in the United States was that the managers had a narrow view of the essential players and generally dismissed the key and novel role of the environmentalists until it was too late.

- State public utility commissions (PUCs) are key and formidable stakeholders in the design, engineering, construction, and operation of nuclear power generating plants. In past years, state PUCs have prevented the recovery of billions of dollars in generating plant construction costs. Some utilities have been penalized for imprudent spending on nuclear plants; others have been told that their plants were not needed. For example, the Pennsylvania State Public Utility Commission ruled that the Pennsylvania Power and Light Company’s newly opened 945-MW $2 billion Susquehanna Unit 2 nuclear plant would provide too much generating
capacity for the utility’s customers. The utility was allowed to recover only taxes, depreciation, and other operating costs. The Missouri Public Service Commission recently disqualified Union Electric Company from charging ratepayers for $384 million of the $3 billion spent on the new Callaway nuclear plant in central Missouri. The commission cited high labor expenses, improper scheduling of engineering, and “inefficient, imprudent, unreasonable, or unexplained costs” during 4 years of delay.

- In a 1-million-square-foot addition to the New York Hospital, environmental, political, and social challenges existed. The New York City Department of Environmental Protection even required a wildlife preservation plan. Over 45 agencies—“stakeholders”—had to be satisfied even though no public money was involved in the project. Public money was about the only issue missing—aer rights, the highway, the river, near-zero work space, historic preservation, sheer size, and other issues had to be considered. The problem was less the outcome of the product—a new hospital addition—and more the process of the conceptualization and management of the project, mindful of the key issues involved.

- Diverse stakeholders, or intervenors, are taking active roles in rate-setting case hearings. For example, when the Union Electric Company of St. Louis, Missouri, instituted proceedings for authority to file tariffs increasing rates for electric service, the following parties were granted permission to intervene in the proceedings: 25 cities, the state of Missouri, the Jefferson City school district, the Electric Ratepayers Protection Project, the Missouri Coalition for the Environment, the Missouri Public Interest Research Group, Laclede Gas Company, Missouri Limestone Producers, Dundee Cement Company, LP Gas Association, Missouri Retailers Association, the Metropolitan St. Louis Sewer District, and the industrial intervenors—American Can Company, Anheuser Busch, Inc., Chrysler Corporation, Ford Motor Company, General Motors Corporation, Mallinckrodt, Inc., McDonnell Douglas Corporation, Monsanto Company, National Can Corporation, Nooter Corporation, PPG Industries, Inc., Pea Ridge Iron Ore Company, River Cement Company, and St. Joe Minerals Corporation (Monsanto et al.).

- The Nuclear Regulatory Commission is a proactive stakeholder in the management of nuclear power plant projects. Its principal interest is the licensing of nuclear plants to ensure quality assurance, safeguards, inspection, and proper operation. Its influence in the industry
is substantial. In addition to licensing individual plants, the NRC conducts studies in the design, engineering, and licensing of plants. In 1984, it published a landmark study of existing and alternative programs for improving quality and the assurance of quality in the design and construction of commercial nuclear power plants.

- Competitors are key stakeholders, particularly during the competitive phase before the architect and engineer, project manager, or constructor firm is selected during a source selection process. During this competitive phase, an in-depth analysis of competitors is essential to winning a contract. The business literature contains descriptions on how to access the competition. A potential winning contract can become a loser if the competition is ignored.

- Stakeholder management includes very favorable situations when companies are creating wealth for their stockholders at a phenomenal rate. *The Wall Street Journal* reports that Royal Dutch/Shell Group has a huge problem while generating profits of approximately $1.5 million per hour and sitting on more than $11 billion in the bank. This creates a predicament with its stockholders—primary stakeholders—because they are looking for growth as well as current profits. Stockholders want the money put to use for increased benefits over the long haul. Shell has used some of the money to reduce debt and some to buy back stock. Efforts have even been made to acquire small, less successful energy companies. The problem still remains that there is too much cash that is not working for the stockholders.

Shell, like other energy companies, would like to develop more oil fields, but is constrained by U.S. economic sanctions against countries with huge oil reserves. Such countries as Libya, Iraq, and Iran are included in the list of these biggest oil producers. Areas such as the North Sea and the United States are experiencing a decline in oil production. Other countries experiencing political turmoil, such as Indonesia and Nigeria, present challenges to operating and managing oil production. There are other countries that do not meet the expectations of energy companies and these opportunities are currently being deferred.

Energy companies are holding nearly $40 billion in cash reserves that cannot be spent to extend the oil production—the area where this reserve of money was generated. Efforts to expand into new fields of work unrelated to energy production have caused stockholder
reactions. Companies are being “forced” to stay within their core business areas by stakeholders. To appease stakeholders, including shareholders, Shell points out that the oil business is extremely cyclical, the top of the cycle has lots of expenditures, and opportunities would not be passed up. The stock buyback is a means of preventing too much cash from accumulating, but is not a means of generating more in the oil-producing business.

Throughout this report in *The Wall Street Journal*, there are examples of stakeholders for oil exploration projects. Stockholders want to ensure that their money grows through investments rather than being held in a bank. Different politics for each of the oil-producing countries brings about challenges to management in view of government instability or uncertainty. Executives of the oil companies must also be considered stakeholders, although not specifically addressed as such. Missing and perhaps the largest group of stakeholders is the consumer, both in the United States and overseas.

Project stakeholders can be recognized in any of the following groupings, depending, of course, on the nature of the project:

- Those who are directly related and involved in the project, such as the project and functional managers, project team members, sponsors, and the customer.
- Those individuals and institutions that have influence over the physical, infrastructural, technological, commercial/finance/socioeconomic, or political/legislative environments in which the project is found.
- Those individuals and institutions that have perceived vested interests, perhaps unrelated to the project, but who see it as an opportunity to help satisfy their own ends.

Considering the above stakeholder groupings, each should be considered according to their relative ability to influence the management and outcome of the project, such as:

- Those who can have the power to control the management and outcome of the project.
- Those who have some influence of the project and its outcome.
- Those who need to be respected and appreciated because of their current and future linkages with the project.
Some Examples of Successful Stakeholder Management

Effective project stakeholder management can enhance the monitoring and control of a project. There are some excellent examples of successful stakeholder management:

- Care was taken during the design and construction of the Hackensack Meadowlands sports complex to develop cooperation among the groups concerned with environmental impact, transportation, development, and construction.
- On the James Bay project, special effort was made to stay sensitive to social, economic, and ecological pressures.
- James Webb and his colleagues at NASA were adept at stakeholder management during the Apollo program. NASA gained the support not only of the aerospace industry and related constituencies, but also of the educational community, the basic sciences, and the weather forecaster profession.
- The 12.5-mile, $490 million highway project through Glenwood Canyon in Colorado is one of the most expensive non-urban sections of the interstate system. This project has no operations component. As such, there is no added level of liability/risk to markets or investors upon its completion. It required more than a decade of planning and 12 years to construct. The project involved an unprecedented degree of cooperation among the project team, environmentalists, and tourists to create a major highway that preserved and even enhanced one of the nation’s premier natural settings. The construction of the highway through a scenic gorge overcame fierce initial opposition, a wide variety of design changes and physical constraints, plus remarkable cooperation in creating a four-lane highway that even the environmentalists love.
- Bechtel planned, designed, engineered, and managed the procurement, right-of-way acquisition, and construction of a second gas pipeline extending 875 miles from Canada into central California. This included the construction of a new compressor station and the retrofit of 17 compressor stations and three major meter stations at a cost of approximately $1.6 billion. This new pipeline parallels the first completed in the early 1960s. Throughout the pipeline expansion, concern about the wide range of environmental factors was paramount. Careful planning by Bechtel resulted in the development of extensive safeguarding of
environmental factors on the pipeline. Certain measures dealt with the control of erosion, noxious weeds, hazardous material, and construction noise, as well as extensive training for all personnel on environmental awareness of work practices.

The management process for the stakeholders consists of the phases depicted in Figure 7.1 and discussed in this section.

The PSM process consists of executing the management functions of planning, organizing, motivating, directing, and controlling the resources used to cope with external stakeholders’ strategies. These functions are interlocked and redundant; the emergence of new stakeholders might require the re-initiation of these functions at any time during the life cycle of the project. This management process is continuous, adaptable to new stakeholder threats and promises and
to changing strategies of existing stakeholders. Putting the notion of stakeholder management on a project life-cycle basis emphasizes the need to be aware of stakeholder influence at all times.

Stakeholders are persons or groups that have, or claim, ownership, rights, or interests in a project and its activities: past, present, or future.

- Primary stakeholders are those persons and groups that have a legal contractual relationship to the project.

- Secondary stakeholders are defined as those who influence or affect, or are influenced or affected by, the project but are not regularly engaged in transactions with the project.

Persons and groups having both contractual interests and vested interests in the management of the project come from a wide variety of organizational settings to include:

- Senior organizational managers including corporate directors, general managers, functional managers, project managers, work package managers, project team members

- Customers (users), suppliers, contractors, and subcontractors, vendors

- Local, state, and federal agencies and commissions, and judicial, legislative, and executive organizations

- Employees, private citizens, tourists, families of employees

- Creditors, shareholders

- Social organizations, political organizations, environmentalists, “intervenor” groups, such as the Sierra Club, consumer groups

- Competitors

- Local communities, the general public

- Professional organizations, trade associations, unions

- Institutions such as schools, universities, hospitals, churches, chambers of commerce, civic groups, minority groups, activists, and American Civil Liberties Union

- News media
There are many primary and secondary project stakeholders Figure 7.2 shows examples in both categories.

**Determining Stakeholder Strengths and Weaknesses**

Each stakeholder’s strengths and weaknesses must be considered. Once the stakeholders’ mission is understood, then the stakeholders’ strengths and weaknesses should be evaluated. An assessment of stakeholders’ strengths and weaknesses is a prerequisite to understanding the success of their strategies. Such analysis is found in nearly all prescriptions for a strategic planning process. This process consists of the development of a summary of the most important strengths on which the stakeholders base their strategy and the most significant weaknesses they will avoid in pursuing their interests on the project. Identifying five or six strengths and weaknesses of a stakeholder should provide a sufficient database on which to make a judgment about the efficacy of a stakeholder’s strategy.
An adversary stakeholder’s strength may be based on such factors as:

- The availability and effective use of resources
- Political alliances
- Public support
- Quality of strategies
- Dedication of members

Accordingly, an adversary stakeholder’s weaknesses may emanate from:

- Lack of political support
- Disorganization
- Lack of coherent strategy
- Uncommitted, scattered membership
- Unproductive use of resources

Once these factors have been developed, each proposed strategy for coping with the stakeholders can be tested by answering the following questions:

- Does this strategy adequately cope with the strength of the stakeholder?
- Does this strategy take advantage of an adversary stakeholder’s weakness?
- What is the relative contribution of a particular stakeholder’s strength in countering the project strategy?
- Does the adversary stakeholder’s weakness detract from the successful implementation of his or her strategy? If so, can the project manager develop a counterstrategy that will benefit the project?

To better predict stakeholder behavior, the project team should take the lead in analyzing the probable impact of the stakeholder on a project. A step-by-step approach for analyzing such impact on a project would consist of the following, depicted in Figure 7.3.
First, identify and define each potential strategic issue in sufficient detail to ascertain its relevance for the project. Next, determine the several key factors, which underlie each issue and what forces have caused that issue to emerge. These forces usually can be categorized into political, social, economic, technological, competitive, or legal forces.

Then, identify the key stakeholders that have, or might feel that they have, a vested interest in the project. Remember that several different stakeholders may share a vested interest in one strategic issue. Stakeholders usually perceive a vested interest in a strategic issue because of:

- **Mission relevancy** The issue is directly related to the mission of the group. For example, members of the Sierra Club see the potential adverse effect of a nuclear power plant project on the environment.

- **Economic interest** The stakeholders have an economic interest in the strategic issue. A union would be vitally interested in the wage rates paid at a project construction site.
• **Legal right**  A stakeholder has a legal right in the issue, such as the Nuclear Regulatory Commission, which has the power to grant operating licenses for nuclear generating plants.

• **Political support**  Stakeholders see the issue as one in which they feel the need to maintain a political constituency. A state legislator would be concerned about the transportation of toxic wastes from a power plant to a repository site within the state or the transportation of wastes across the state.

• **Health and safety**  The issue is related to the personal health and safety of the group. Project construction site workers are vitally interested (or should be) in the working conditions at the site.

• **Lifestyle**  The issue is related to the lifestyle or values enjoyed by the group. Sports groups are interested in the potential pollution of industrial waste in the forests and waterways.

• **Opportunism**  The issue is one that the group can rally others around, with the goal of increasing the group’s political power at the expense of the project.

• **Survival**  The issue is linked to the reason for existence of a group of stakeholders. For example, members of the investment community see clearly the financial risks of nuclear plant construction today, considering the uncertainty in the licensing of a nuclear power plant.

Once the stakeholders have been identified, clarify the specific stake held by each. Then judge how much influence each stakeholder might have on the project and its outcome. Table 7.2 summarizes such influences. This table should be completed by members of the project team. They are in the best position to identify the probable impact of a stakeholder’s vested interest. By perusing the table, a manager can get a summary picture of which stakeholders should be “managed” by the project team. Stakeholders with high interest scores on the table should be studied carefully and their strategies and actions tracked to see what effect such actions might have on the project’s outcome. Once the potential effect is determined, then the project strategy should be modified through resource reallocation, replanning, or programming to accommodate or counter the stakeholder’s actions through a stakeholder management strategy.
TABLE 7.2 Stakeholder Interests

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**Summary, Additional Sources of Information, Discussion Questions, User Checklist, Principles of Project Management and Project Management Situation**

**To Summarize**

The major points expressed in this chapter include:
• Stakeholder management is an important part of the management of an enterprise and the management of a project.

• In recent years, there has been an increase in laws that give stakeholders legal rights.

• Political stakeholders can have a major impact on a project. Examples of such impact were given.

• Project stakeholders can be managed. An important part of that management is to keep them informed of the status of the project, from its inception through to operational use.

• Stakeholders in the nuclear power industry have been particularly aggressive and are often called “intervenors.”

• A project stakeholder management process was suggested, which provides a paradigm for applying management theory and practice to project stakeholders.

• Project stakeholders have been classified into two types: primary and secondary.

• Primary stakeholders are those persons or groups that have a legal contractual relationship to the project.

• Secondary stakeholders are those persons who influence or affect or are influenced or affected by the project, but are not regularly engaged in transactions with the project and may not be essential for the project’s survival.

• Secondary stakeholders may be thought of as comprising a “virtual” organization that can exert powerful influence over the project’s planning and outcome.

• Secondary stakeholders have a great deal of freedom in influencing the project—or ignoring the project and its outcome.

• Information on project stakeholders is available from a wide variety of sources.

• A project audit should include an assessment of the stakeholders to include their degree of satisfaction or dissatisfaction with the project and its planned and actual results.
Additional Sources of Information

The following additional sources of project management information may be used to complement this chapter’s topic material. This material complements and expands on various concepts, practices, and theory of project management as it relates to areas covered here.


- Jim Carlton, “Saga of the Santa Lucia Preserve Nears a Close,” *The Wall Street Journal*, February 28, 2001, p. B16. This article shows the extent of planning and coordination required to successfully construct a “green housing project” that meets stakeholders’ (environmentalists’) requirements. The time and energy consumed gave this project the best chance of success and, when complete, proved that all the work was worth it.

- R Max Wideman, “How to Motivate All Stakeholders to Work Together,” in David I. Cleland, (ed.), *Field Guide to Project Management*, 2nd ed., (Hoboken, NJ: John Wiley & Sons, 2004). The author starts off by stating that anything that can be done within the scope of the project to influence stakeholders to take a positive view also will help in managing the project. In subsequent parts of his chapter, he looks at some issues around success, the stakeholders, and how to energize them.

- Graham M. Winch, “Rethinking Project Management: Project Organizations as Information Processing System?” in *Proceedings of the PMI Research Conference 2004* (pp. 41–55) Project Management Institute, Newtown Square, PA, pp. 41–55. This chapter draws on the theories of social construction of technology to present a methodology aimed at a better understanding and management of the stakeholder context of a project. It presents two tools—the stakeholder map and the power-interest matrix—for analyzing the potential threats of stakeholder activities.”
Discussion Questions

The questions below provide some answers, but not necessarily all possible solutions or the “right” answers for all projects. Instructors and students may have some personal experiences that add to the list of answers.

1. What is meant by a project stakeholder?

   a. Stakeholders are project team members, functional managers, higher level managers, outside organizational entities such as contractors, subcontractors, customers, regulators, financial institutions and other claimants who have—or feel that they have—vested rights in the project. Stakeholders can be outside the authority of the project manager.

   b. Basically a stakeholder is any individual or group that has or feels that they have an interest in the project now or in the future.

2. Describe a project management situation from your work or school experience, and list the project stakeholders.

   Personal:

   a. Taking a course may be a task in a project or project itself.

      • Student

      • Instructor

      • School

      • Where employed

      • Wife or Husband

   b. Getting married is a project.

      • Bride and Groom

      • In-laws

      • Relatives
• Minister
• Church
• Hall
• Catering
• State Government
c. Buying a house is a project.
  • Buyer and seller
  • Realtor
  • Lending institution
  • Community
  • State Government

Business:
d. Starting a new product line.
  • Stockholders
  • Board of Directors
  • Project team members
  • Higher level managers
  • Contractors
  • Subcontractors
  • Customers
  • Financial institutions
e. Building an extension to a bus lane.
  • Federal government
• State government
• County government
• City government
• Community
• Civic groups
• Property owners
• Project team members
• Higher level managers
• Contractors
• Subcontractors
• Customers
• Financial institutions

f. Building a new resort area.

• State government
• County government
• Civic groups
• Property owners
• Project team members
• Higher level managers
• Contractors
• Subcontractors
• Customers
• Financial institutions
3. Discuss the importance of keeping all project stakeholders informed on the issues relevant to them with respect to projects.

   a. Political, economic, social, legal, technological, and competitive environments affect an enterprise’s ability to survive and grow. Projects are the building blocks of the strategic plan. The impact of project decisions on all stakeholders must be considered in any rational approach to the management of a project.

   - Corporations are accountable to their stakeholders
   - Laws have been passed giving stakeholders legal protection
   - To ward off any problem before it becomes a major issue.

4. In the nuclear power plant described in the chapter, what could the project managers have done to prevent intervenors from disrupting the construction of the plant?

   a. Start a project stakeholder management (PSM) process with the following questions:

      - Who are the project stakeholders—both primary and secondary?
      - What stake, right, or claim do they have in the project?
      - What opportunities and challenges do the stakeholders pose for the project team?
      - What obligations or responsibilities does the project team have toward its stakeholders?
      - What are the strengths, weaknesses, and probable strategies that the stakeholders might employ to realize their objectives?
      - What resources are at the stakeholders’ disposal to implement their strategies?
      - Do any of these factors give the stakeholders a distinctly favorable position in influencing the project outcome?
• What strategies should the project team develop and implement to deal with the opportunities and challenges presented by the stakeholders?

• How will the project team know if it is successfully “managing” the project stakeholders?

5. Why is it important for project leaders to develop a project stakeholder management (PSM) process? Discuss stakeholders’ potential impact on the attainment of project objectives and goals.

   a. The principal justification for adopting a PSM perspective springs from the enormous influence that key external stakeholders can exert. Stakeholder management leading to stakeholder cooperation enhances project objective achievement, while stakeholder neglect can hinder it.

   b. The extent to which the project achieves its goals and objectives is influenced by the strategies pursued by key stakeholders

      • Failure to anticipate problems can slow down or stop a project

      • Unknown problems can take key project people off the project to solve stakeholders problems

      • An enhancement to the project may be lost.

6. List and discuss the objectives of PSM as described in the chapter.

   a. Ensure the availability of timely, credible, and comprehensive information of the capabilities and the options open to each stakeholder: to deal with the stakeholder the project manager must understand their capabilities.

   b. Continue to identify the probable strategies of the stakeholders: The project manager must keep track of the strategies of the stakeholders because strategies can change or be influenced by other stakeholders.

   c. Determine how key stakeholders’ strategies might affect current project interests: the interests of the stakeholder may be in opposition to the projects, as in building
an interstate highway extension if property owners feel that the project would impact their businesses and investments.

d. Continuously monitor and provide comprehensive information about probable actions in the project-stakeholder environment that might have an impact on the interests of the project: Actions of the stakeholder may change so that the project manager must continuously monitor and provide comprehensive information about probable actions.

e. Organize the collection, analysis, and dissemination of stakeholder information for the project team. The information concerning the stakeholders, if the project is large, needs to be organized to allow ready access and updating.

7. List and describe the steps in the PSM process.

   a. Identify the stakeholders: who does the project manager have to deal with?

   b. Gather information on the stakeholders: what is the general information needed?

   c. Identify the stakeholder’s mission: what is the purpose of the stakeholder’s organization?

   d. Determine the stakeholder’s strengths and weaknesses: how strong or weak is the stakeholders organization?

   e. Identify the stakeholder’s strategy: how did the stakeholders intervene previously?

   f. Predict the stakeholder’s behavior: how will the stakeholder approach the project?

   g. Implement the stakeholder’s management strategy: develop an approach for each stakeholder using the above information and start communicating with them.

8. List some sources of information on project stakeholders.

   a. The following sources are representative and can be augmented according to a particular project’s needs:

      • Project team members
• Key managers

• Business periodicals, such as *The Wall Street Journal, Fortune, Business Week*, and *Forbes*

• Business reference services, such as *Moody’s Industrial Manual, Value Line Investment Security*, and others

• Professional associations, trade associations

• Customers and users

• Suppliers

• Local press

• Trade press

• Annual corporate reports

• Articles and papers presented at professional meetings

• Public meetings

• Government sources

• Internet

• The organization’s printed material

9. What questions must management address to assess the potential impact of an adversarial stakeholder?

   The questions should be focused around the stakeholder’s strengths and weaknesses:

   a. An adversary stakeholders strength may be based on such factors as:

      • The availability and effective use of resources
      • Political alliances
      • Public support
      • Quality of strategies
• Dedication of members

b. Accordingly, an adversary stakeholders weaknesses may emanate from:

• Lack of political support
• Disorganization
• Lack of coherent strategy
• Uncommitted, scattered membership
• Unproductive use of resources

10. What factors indicate a vested interest by a stakeholder in a strategic issue of a project?

Stakeholders usually perceive a vested interest in a strategic issue because of:

a. **Mission relevancy**  The issue is directly related to the mission of the group. For example, members of the Sierra Club see the potentially adverse effect of a nuclear power plant project on the environment.

b. **Economic interest**  The stakeholders have an economic interest in the strategic issue. A union would be vitally interested in the wage rates paid at a project construction site.

c. **Legal right**  A stakeholder has a legal right in the issue, such as the Nuclear Regulatory Commission, which has the power to grant operating licenses for nuclear generating plants.

d. **Political support**  Stakeholders see the issue as one in which they feel the need to maintain a political constituency. A state legislator would be concerned about the transportation of toxic wastes from a power plant to a repository site within the state or the transportation of wastes across the state.

e. **Health and safety**  The issue is related to the personal health and safety of the group. Project construction site workers are vitally interested (or should be) in the working conditions at the site.
f. **Lifestyle**  The issue is related to the lifestyle or values enjoyed by the group. Sports groups are interested in the potential pollution of industrial waste in the forests and waterways.

g. **Opportunism**  The issue is one that the group can rally others around, with the goal of increasing the group’s political power at the expense of the project.

h. **Survival**  The issue is linked to the reason for existence of a group of stakeholders. For example, members of the investment community see clearly the financial risks of nuclear plant construction today, considering the uncertainty in the licensing of a nuclear power plant.

11. What additional steps must management take once stakeholders and their potential impacts have been identified?

   a. Identify the stakeholder’s specific stake: what specifically does the stakeholder desire.

   b. Evaluate the stakeholders influence: how much influence can the stakeholder place on the project?

   c. Modify the project strategy: through resource reallocation, replanning, or programming to accommodate or counter the stakeholder’s actions through a stakeholder management strategy?

12. What factors of organizational culture contribute to effective management of stakeholders?

   a. Corporate culture, the attitudes, values, beliefs, and behavior of the organization, sets the world view, what employees think about the organization and the business it does. Corporate culture is reflected in the key values held by members of the organization. Managerial and professional behavior is influenced by what the people perceive as the “corporate way of doing things.” The culture can be an aid if the gathering of information is highly valued. Or it can be negative if the thought prevails, “don’t worry about those people they cannot cause that much trouble, get on with the project work.”
User Checklist

This checklist may be used to generate discussion among the students/participants or used as a guide to assigning specific work to either individuals or small teams. If any students works in a company that uses project management, then they should use the checklist to evaluate their company’s approach to project management. The results of this evaluation would be discussed in class—in the context of diplomatic immunity, of course.

1. Does your organization continually seek to identify project stakeholders? In what ways?
2. How does your organization manage the interrelationships among project stakeholders? Do any written policies exist that assist in the management of stakeholders?
3. In what ways does your organization seek to manage intervenors?
4. What stakeholder impacts are typical in your organization?
5. Describe a recent project in your organization that was successful in the management of stakeholders. What led to this success?
6. Describe your organizational philosophy and attitudes toward the PSM process.
7. Are there any formal ways that the project managers in your organization accept responsibility for the PSM process?
8. In what ways do project managers go beyond identification in assessing stakeholder impact?
9. What sources are used or can be used to gather information on the project stakeholders?
10. Do project managers attempt to predict stakeholder behavior? In what ways?
11. Are the project stakeholder issues addressed in project audits? What questions are asked or can be asked to help the project team identify and control strategic issues?
12. What proactive measures are taken to ensure continual management of stakeholders? How can the top managers of your organization support the PSM process?
**Principles of Project Management**

These principles may be used to challenge students/participants to find other principles within the chapter or as an individual or team assignment to examine a principle within the context of their organizational culture.

- Stakeholder management is a critical part of achieving successful projects.
- Stakeholder management must be a concentrated effort that is built around a formal process.
- Stakeholders can positively or negatively affect the progress of a project, depending upon the management of their interests and concerns.
- Anticipating stakeholder reaction and planning to preempt or respond to actions can materially add to the project’s value.
- A project is unlikely to be a success without stakeholder support.

**Project Management Situation: Stakeholder Initiatives**

If the class is small, have them read the case and answer the student/reader assignment questions as a team. If the class is large, divide the class into groups having each group answer the student/reader assignment questions as a team. Then compare the answers.

1. On the basis on the project management situation, what opposition would you take as a stakeholder in the building of residential homes? What actions would you take to prevent the homes from being constructed when there is insufficient water at this time to serve the existing homes?
   
   a. All construction sites require permits. Through political affiliates the permits can be slowed down or stopped.
   
   b. Call a special community-meeting showing the overloads to the existing water, electricity, telephones, sewage disposal, and gas systems. In addition, the new families will place new requirements on schools, stores, roads, libraries, fire department, and other public facilities.
   
   c. Acquire legal/political representation to stop the new construction until the water system is updated.
2. As a project manager, what would you do to avoid conflicting information from being “leaked” to potentially hostile stakeholders in the community?
   a. Develop a “source” information system.

3. A nuclear power plant is to be constructed in your location. It has been approved as a safe, environmentally friendly design, but there are rumors that it would possibly vent radiation into the atmosphere. What action do you propose to resolve this apparent conflict in information?
   a. If the design has data showing that there is no possible emission of radiation into the atmosphere, then distribute it to the community.
   b. Have an outside independent agency investigate the possible emission of radiation into the atmosphere and report it to the community.

4. Your company is proposing to build a new car that has less pollution emitted from exhaust fumes. The car is extremely light and would not fare well in a collision with an SUV. What type of information would you release to counter claims of this being an unsafe automobile?
   a. Release information on how the car holds up in other accidents
   b. Show the probability of the car being hit by an SUV
   c. Release the collision testing results
   d. The company could take steps to beef up the car and release the information

5. You are a candidate project manager for a sensitive project that is expected to have many primary and secondary stakeholders. What is the process you would use to keep these stakeholders informed?
   a. Develop a project stakeholder management process:
      • Identify the stakeholders.
      • Gather information on the stakeholders.
      • Identify the stakeholders mission
      • Determine the stakeholders strengths and weaknesses
• Identify the stakeholders strategy
• Predict the stakeholders behavior
• Implement the stakeholders management strategy
  • Separate primary vs. secondary stakeholders
  • Develop an implementation strategies for each
  • Develop action plans, procedures, and allocation of supporting resources to make stakeholder management an ongoing activity
  • Develop an ongoing, up-to-date stakeholder status report at major points in the life cycle of the project