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**EXPLORING STAKEHOLDER MANAGEMENT IN  
CHANGING PROJECT ENVIRONMENT**

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# EXPLORING STAKEHOLDER MANAGEMENT IN CHANGING PROJECT ENVIRONMENT

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### ABSTRACT

Project Management is becoming a strategic factor of modern organization. But the projects are getting plagued due to factors such as turbulence, complexity & data overload, inadequate stakeholder management, etc. The conventional iron triangle is been overseen and much of project success is ascribed to effective stakeholder management. Even though lot of research studies were carried out about stakeholder management, there is a lack of profoundness and practical usefulness of these techniques. Here we tried to explore the literature and systematically identify, define, classify and manage stakeholders in the spectrum of underpinning theories, actionable tools & models, methods, techniques, etc. We have tried to develop a new stakeholder framework based on the existing model which can be used practically. Also we tried to explore the relationship between stakeholder management and other PMBOK areas. And finally we tried to understand the future direction of project stakeholder management. We try to dig deep into literature to find the answers to the following research questions.

1. What is the importance of stakeholder management in project management?
2. What are the optimum tools, methods and frameworks found in the literature regarding stakeholder management?
3. What is the relation between stakeholder management and other PMBOK areas?
4. What is the future direction of stakeholder management and the unresolved issues that is to be addressed?

The dissertation was carried out by collecting around **100 very significant research articles** published in reputed research journals in the past **20 years** in the context of stakeholder management in project environment by tracing it from origin to ultimatum considering **critique** as well as **usefulness** to answer the research questions targeted and presented them systematically.

**Keywords:** Project Stakeholder- Importance, Changes & trends, Theory, Complexity, Needs, Drivers, Influence, Contribution, Categorization, tools, methods, frameworks.

## 1. INTRODUCTION

Today, **project management** occupies **significant role** in different industries and sectors. Project management is becoming an organizational **strategic element** that leads innovation, generates value and transforms vision into reality (Mahmoud Rajablu, 2014). Increasingly, companies are becoming **project driven** to execute their activities, which can be seen in the shares of **project spent & expenditures** (Lundin, 2011) (Dahlgren, 2010). Despite the importance of projects and project management there is a high rate of **challenges and failures due to turbulence, complexity & data overload**. Even international development projects are facing **failures and great impediments** (Ika, 2013). And researchers have cited “the **ignorance or inadequate stakeholder management**” as one of the main reasons responsible for failure of the project (Chang, 2013). Also conventional project management approaches have been criticised in recent years for being **inadequate for the growing complexity** of projects. The main criticisms are the **insufficiency** to deal with the **dynamic nature** of the business environment, **political and social** context and the need for further **judgment during project execution phase** (Winter, 2006).

Researches on big public infrastructural projects have shown that **project success** is now dependent on the **perception and satisfaction of the stakeholders** than mere conventional iron triangle (cost, quality, time) (Toor, 2010). The **weaknesses of the qualitative methods** of SM and **need for formal stakeholder management (SM)** in projects and are **two important issues** that are reported in the literature. The stakeholder management must evolve into a more **formal and accountable process**, and must be in line with the project execution (Hamid Aladpoosh, 2012). The project can only be successful if the **stakeholder's motivations** are addressed properly with reciprocal **contributions** from them (Eskerod, 2013). Thus project stakeholders are becoming **more crucial** and surfacing beyond the technical issues. (Prescott.J.E, 2007).

In essence, this literature review tries to outline the **research done & gaps in the project management literature in the context of stakeholder management**. From an extensive review of the Stakeholder Management literature outlined below, we try to summarise them clearly and throw more light on this topic.

### 1.1. Research Questions

This dissertation will attempt to answer the following research questions:

1. What is the importance of stakeholder management in project management?

This question first tries to answer about the evolving complexity of the project environment and try to substantiate in clear terms the various drivers, trends associated with the change. Then it further explores the nature of stakeholder management and why it is most ambiguous and elastic concept.

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Stakeholder management is becoming central and deterministic factor for the project output. And this question would try to answer the reasons and common threads found in the literature to validate this effect. And finally it tells about stakeholder needs, contribution and their nature which entails in detailed classification and how they could be managed in a project environment.

2. What are the optimum tools, methods and frameworks found in the literature regarding stakeholder management?

The stakeholder management so far is very abstract and could be considered as guidelines. But this question would try to explore the literature to find out concrete tools and methods which are time-tested and found significant to ensure effective management of stakeholders throughout the project life cycle. Also the various stakeholder frameworks are analysed. And finally we try to propose a new stakeholder framework with important stakeholder attributes taken into consideration.

3. What is the relation between stakeholder management and other PMBOK areas?  
This questions tries to explore all the ten PMBOK areas and tries to examine the relationship between stakeholder management and other PMBOK areas as contributed in various literatures.

4. What is the future direction of stakeholder management and the unresolved issues that is to be addressed?

Based on the answers and inputs gathered from various literature about the stakeholder management in project environment, this question would further investigate to identify and categorize the unresolved issues and the tries to address available solutions to the extent available in the literature.

### **1.2. Research Methodology**

An effort was made to collect various research papers and articles published in reputed project management journals from 1990 until recent (also some relevant classic articles) in the context of stakeholder management. This forms the literature review and different levels of exposition developed in the dissertation. After having gained the theoretical concepts by profound and systematic analysis of the assortment of gathered ideas and methods, an attempt has been made to answer the research questions by exploration process.

### **1.3. Dissertation Map**

An attempt has been made to keep the dissertation simplistic and profound to a broad range of readers. Figure below shows the map this dissertation follows:

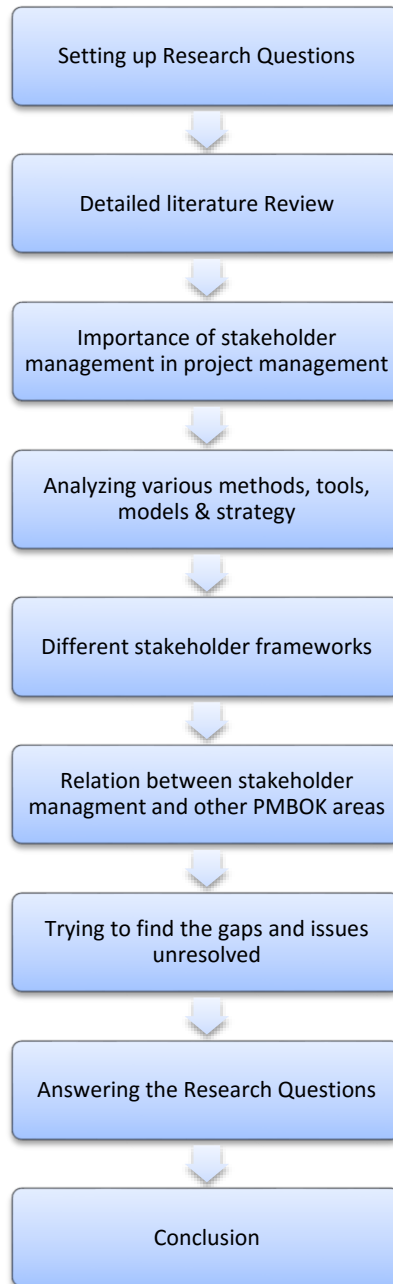


Figure 1: Dissertation Map

## LITERATURE REVIEW

### 2. CHANGING PROJECT MANAGEMENT ENVIRONMENT

Project management is the branch of management that deal with defining, coordinating, motivating and managing **resources** to accomplish targeted **goals** and meet specific success **measures**. A project can be defined as a **time bound attempt** engineered to make one-of- a-kind product, service or output with a pre-defined **start**

**and finish** (usually constrained by time, funding and scope) endeavoured to achieve specific objectives and goals, in order to give rise to additional value or positive change (Nokes, 2007).

Now a days, project management is becoming **core to many firms** and is considered as **strategic component of the firm** (Mahmoud Rajablu, 2014).

## 2.1. Changing perspective on project management

Project Management is not just seen as an effective operational driver for achieving targets, but it has to be aligned with the strategy of the firm. The various Business Strategy attributes like Quality, Cost, Time-To-Market, etc. are found to have very significant impact on the project configuration and level of importance attributed to it by the firm. The project culture, project strategy, project organization, metrics, tools, etc. are widely influenced by the kind of strategy the firm adapts. Also when the project management faces serious roadblocks in these configurations due to conflicting market shifts and other external factors, the Business Strategy is impelled to realign itself based on the feedback from the project management (Sabin Srivannaboon, 2006). Also it is noted that strategy of the firm fails to accomplish the intended objectives during execution and operational phase due to improper project management (Merwe, 2002) (Meskendahl, 2010). Thus there is a two-way relationship with lot of interactions and decisions transfer upstream and downstream between Business Strategy and Project Management.

As the firms are more project driven to achieve its goals, there has been a growing demand for the qualified and competent project managers as it is seen as strategic competency. The project management is getting structured and standardized to research, retain and disseminate these competencies for professional growth. But senior management within the firms don't buy this in entirety as the only yardstick to perceive the work place effectiveness and performance of the project managers. Many industries are identifying several other skills and knowledge elements apart from conventional engineering mind-set that are of greater value in order to cope with the evolving complex project environment (Crawford, 2005) (F.T Edum-Fotwe, 2000). The below tables summarizes it.

Table 1 Changing view of project management

CHANGING PERSPECTIVE	PAST PERSPECTIVE
Now project managers have to respect and <b>align project execution with strategy.</b>	Business strategy and project execution are <b>disjoined</b> activities.
Project management is a <b>core / strategic</b>	Project management is

<b>competency</b> indispensable for the survival and further development of the firm.	considered as a <b>career path</b> .
Project managers are involved in <b>both business &amp; project decisions</b> .	Project managers are involved in making <b>project-based decisions</b> .
Presently employees are required to pursue <b>numerous certifications</b> to be endorsed in project management	Project Management Professionals ( <b>PMP</b> ) are sought for running the projects
Project managers will intended to participate in <b>capacity-planning</b> process & selecting <b>project portfolio</b> .	Project managers are required for running the project only.

Source: (Kerzner, 2011)

Also now the **nature and boundaries of the project** are getting very **diverse** which further increases the **complexity** in handling them. We see a **paradigm change** with the increasing **uncertainties** of current organizational and project culture. We see a shift from conventional pattern of change to more complex & **diverse pattern of change** which demands substantially **improved usage of project management practices** to manage present-day project oriented organizations (Walker L. B., 2005).

## 2.2. Different models of change

The effective project leaders have to change their leadership style based on the business environment they are in. For a simple traditional environment decisions are driven by facts, cause and effect relationship, etc. as right answers are available to choose. But when the environment becomes chaotic there will be rise in turbulence, lack of time, many unknowable's and no clear cause-effect relationship. And in such situations the decisions are driven by pattern-based leadership and tension in the environment (Boone, 2007).

Also the organizations are more driven by ideas than hierarchy and becoming more flat. And it is becoming so complex that aggregate of parts are never the whole, as relationships are getting mutual, non-linear and every situation pose unique challenges to tackle (Veld, 2010).

And companies today are more conscious about the about sustainability than just being operationally efficient and reliable to customers. Also the regulatory bodies are making stringent control in order to protect the environment in which we live. So greening the business, sustainable operations and protection of environment are surfacing to be important factors for a firm (Ramus, 2001) (Ram Nidumolu, 2009). The below tables summarizes it.

Table 2: Different models of change

FACTORS	COMPLEX MODEL	ADAPTIVE MODEL	TRADITIONAL MODEL
Basis for decisions	Tension and patterns		Data and Facts
Variables	Infinite variables		Minimal variables outcomes
Individual or system behaviors	Uncontrollable, Unknowable, and uncertain		Controllable, Cognizable and Certain
Relationship of whole to parts	Holistic: whole is different from the addition of the parts		Reductionist: whole is the aggregate of the parts
Causality	Mutual: every cause is also an effect and vice-versa		Linear: effects can be tracked to cause
Direction	Decided by emergence and the involvement of many people		Decided by design and the power of a handful of leaders
Relationships	Empowering: inclusive		Directive: Top down
Measures of value	Responsiveness to environment		Reliability and Efficiency
Systems	Every system is unique		All are basically identical
Leadership	Supporters and Enablers		Authorities and Experts

Source: (Olson.E.E, 2001)

### 2.3. Increasing complexity in the nature of projects

Now a days there are large number of stakeholders that can influence the project. The regulatory bodies, special interest groups, plants/animals, water bodies (environment in totality) who can be affected by project activities are considered as stakeholders. So there is growing number of stakeholders in today's project environment who can influence the project outcome significantly (Newcombe, 2003) (Freese.J, 2009).

Also now a days we see lot of uncertainties rooting from contradicting stakeholder interests, data overload & lack of critical data, turbulent environment, vagueness, trade-offs and changing scope & target at different phases of the project life cycle (Roger Atkinson, 2006) (Raija Suikki, 2006). The project teams today are encountering different kinds of problems and also getting empowered with fast changing technologies. The environment in which the team operates and its nature has therefore changed completely (Scott I. Tannenbaum, 2012). The below tables summarizes it.

## EXPLORING STAKEHOLDER MANAGEMENT IN CHANGING PROJECT ENVIRONMENT

Table 3 Increasing complexity in the nature of projects

NON TRADITIONAL PROJECTS	TRADITIONAL PROJECTS
There are <b>many</b> stakeholders	There are <b>few stakeholders</b> .
<b>Moving</b> target.	<b>Stationary</b> target.
The <b>assumptions</b> can and will <b>change</b> over the course of the project.	The assumptions almost remain <b>unchanged</b> over the course of the project.
The project duration can be over <b>several years</b> .	The project duration is <b>6 months - 1.5 years</b>
Members who sanctioned the project and are part of the governance may not be there at the finish of the project	The <b>team almost remains the same</b> from start to finish of the project (Sponsor & project team).
<b>Technology bound to change</b> over the course of the project	Technology is <b>known</b> and no significant change observed during project duration.
<b>Numerous changes</b> in project scope and <b>unclear statement</b> of work.	<b>Well established</b> statement of project work.
We have <b>large set of</b> key performance indicators and metrics.	We have <b>few</b> KPIs and metrics.

Source: (Kerzner, 2011)

So with the changes in the project management as a discipline and as well nature of projects in today's scenario we have the following (combining the above tables).

Table 4 Differences between the old and new project practices

HANDLING NON-CONVENTIONAL PROJECTS	HANDLING CONVENTIONAL PROJECTS
<b>Flexible</b> or "fluid" project management methodology	An <b>inflexible</b> project management methodology
KPIs and Metrics may be <b>unique</b> for a specific project and sometimes to a specific stakeholder.	KPIs and Metrics are deduced from the <b>earned value</b> measurement system
<b>Many</b> stakeholders	<b>Few</b> stakeholders
<b>Real-time</b> reporting	<b>Periodic</b> status review & reports
Both project and business related decision making	Only project related decision making
Managed by <b>committee</b>	Sometimes sponsored by <b>single sponsor</b>
<b>Contradicting</b> constraints, value and <b>other factors defines the project success</b>	<b>Triple</b> constraints defines the success of the project.

Source: (Kerzner, 2011)

#### 2.4. Importance of Values and its shift

The values are very fundamental to the behavior of project team and the stakeholders and can have significant impact on the outcome of the project. And we always see lot of conflicting and contradicting personal values in the realm of organizational values. Now a days companies are striving to **project team members` values with the bigger organizational values**. The table below shows how values have changed in recent times.

Table 5: Changing values in project environment

Moving away from ineffective values	Moving towards effective values
Bureaucracy	Boundary-less
Traditional education	Lifelong education
Job Descriptions	Competency models
Conservatism	Accepting risks
Internal focus	Stakeholder focus
Predictability	Flexibility
Conformity	Innovation
Reactive Management	Proactive management
Power & Authority	Teamwork
Mistrust	Trust
Hierarchical leadership	Multidirectional leadership
Internal competition	Internal collaboration
Compliance	Commitment
Tactical thinking	Strategic thinking
Meeting standards	Continuous improvements

Source: (Gellerman, 2002)

It is clearly seen that the **changes in values** affect not only the individual versus organization values. But it seems like a conflict among **four groups** (Kerzner, 2011).

## EXPLORING STAKEHOLDER MANAGEMENT IN CHANGING PROJECT ENVIRONMENT



Figure 2: Project Management: Value Conflicts

By **identifying** conflictual events and **analyzing** the differences in perception of the stakeholders, relationship conflicts can be **mitigated**. When these conflicting events are handled properly it is possible to **understand** the undercurrent dimensions of resistance and tension and shift them to **trust and commitment** (Vaaland, 2004).

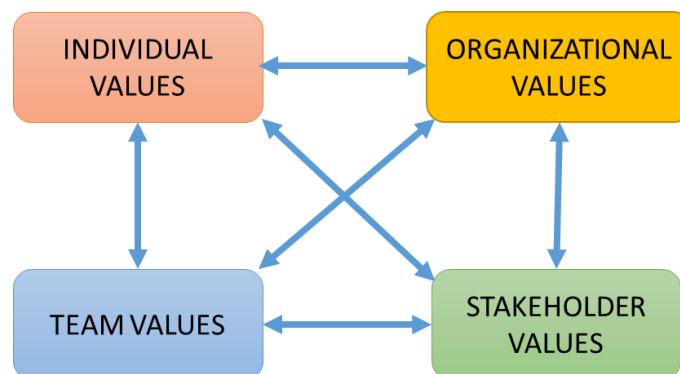


Figure 3: Project Management value conflicts

## EXPLORING STAKEHOLDER MANAGEMENT IN CHANGING PROJECT ENVIRONMENT

By **enhancing** interpersonal skills, reliability, exhibiting commitment, being earnest, kind and capable, showcasing integrity, focusing on project milestones and instituting shared targets, it is possible to **leverage values** like trust among stakeholders in complex project environment. These **crucial values** forms the very foundation of successful running of the project organization. Values and good stakeholder management are synonymous and **co-exist** with each other. It is something very **hard to earn** and very **easy to lose** (Massaoud, 2008).

Therefore we observe radical and steady change in style and approach of project managers, also additionally for the below reasons (Kerzner, 2011).

- Business is getting managed as **portfolio** of projects.
- Project management is now considered as a **full-time profession**.
- Projects manager are now are involved in **both** project management and business management and are required to **take decisions in both the domains**.
- The project value is defined also in business terms apart from technical terms.
- Project management is now also **used to other spheres of the business** that conventionally haven't applied project management

### 2.5. Ambiguity in projects

All these changes also comes with **lot of ambiguities** which is surfacing in projects. They are codified as follows (McCaskey, 1982):

- Uncertain, unclear and contradicting definition of the **problem**
- Incomplete information, confusing, undependable nature of the unfolding **events**.
- Unclear objectives and differing interests and drivers among different stakeholders resulting in political and psychological unrest.
- Limitations and inadequacy of resources like time, funding, etc.
- Unclear roles with ever changing project climate characterized by moving in & out of stakeholders within and without.
- Uncertainty about ways and means to resolve the issues and achieving project goals even when objectives are clear sometimes.
- We are not sure how to determine if we have succeeded (How do we **evaluate success**, or are unsure how to measure it).

We see a **radical changes** in project management **practice, nature** of projects, project manager **competencies & values**, etc. The above facts very clearly suggests that the project management is **becoming very complex, ambiguous** and **managing**

**multiple stakeholders**, who are **key for the success** of the project, is going to be very crucial.

### 3. PMI ON STAKEHOLDER MANAGEMENT

Project Stakeholder Management includes the all the processes that are necessary to **identify** the people, groups, or organizations that could impact or be impacted by the project, to **scrutinize** stakeholder **anticipations** and their **influence** on the project, and to **formulate** most suitable **management strategies** and to eventually **engage** stakeholders completely in project decisions and implementation. Stakeholder management also focuses on **uninterrupted communication** with stakeholders to clearly translate their needs and anticipations, handling problems as they occur, **handling contradicting** interests and deploying appropriate stakeholder participation in project decisions and activities. Stakeholder satisfaction must be properly managed as a critical project objective.

Every project will have stakeholders who are **influenced by or can influence** the project in a **positive or negative** way. While some of the project stakeholders may have a **bounded** capacity to impact the project, some others may have **vast** influence on the project and its anticipated results. The **capability** of the project manager to exactly distinguish and deal these stakeholders in a suitable way will determine project success or failure. It encompasses the following processes. These processes interact with each other and also with other processes in other Knowledge Areas.

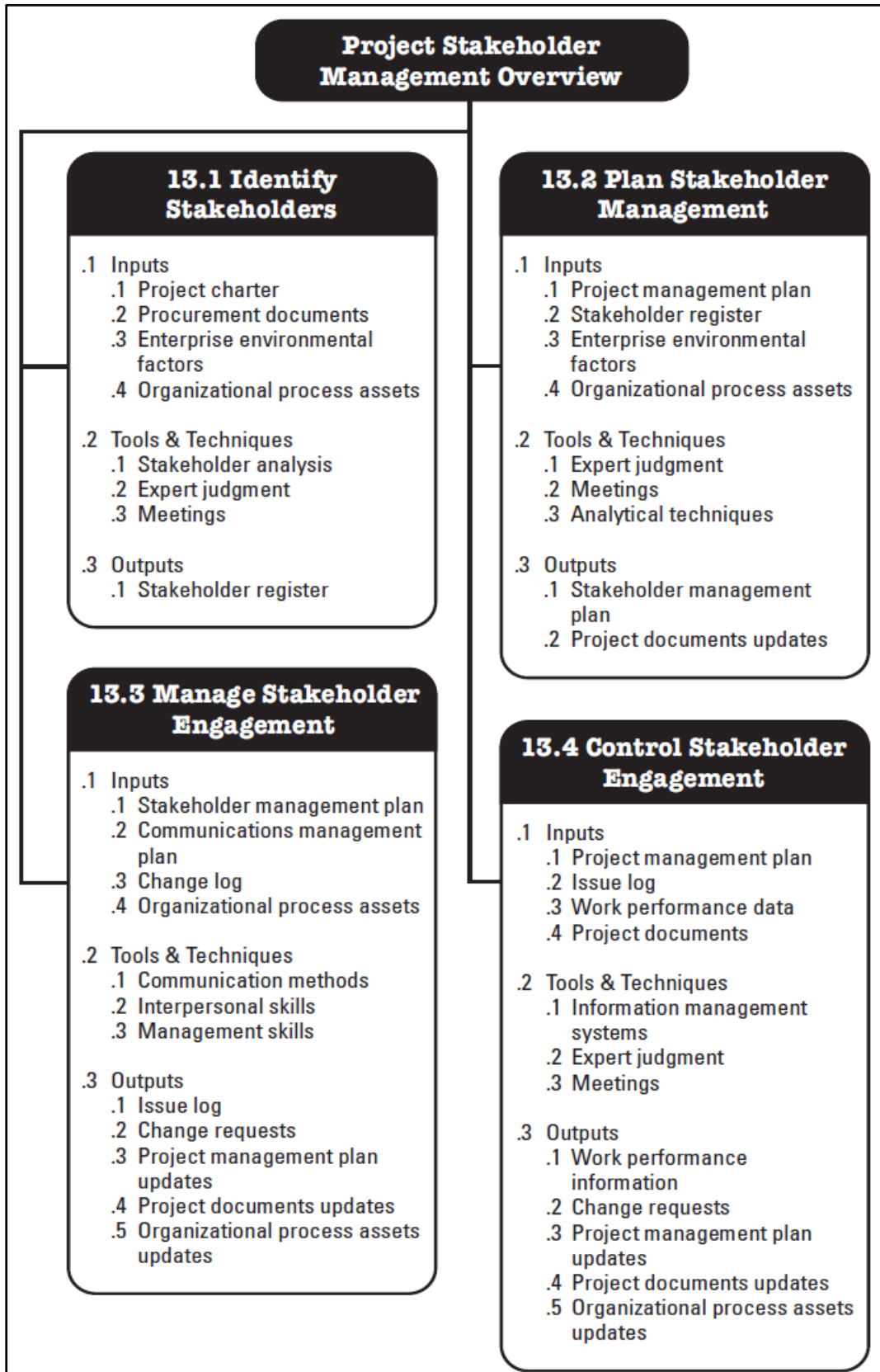


Figure 4: Project Stakeholder Management Overview

### 3.1. Identify Stakeholders

The process of includes **identifying the people, groups, or organizations** that could **influence or be influenced** by a decision, activity, or output of the project; and **scrutinizing and substantiating relevant information** regarding their interests, participation, mutuality, influence, and possible impact on success of the project. It helps the project manager to **identify the required focus** for each stakeholder or group of stakeholders.

### 3.2. Plan Stakeholder Management

It includes the process of **drafting most appropriate management strategies to effectively involve** stakeholders throughout the entire project life cycle, based on the analysis of their drivers, dispositions, and possible influence on project success. It provides a precise, **deployable plan to interact** with project stakeholders to keep up the project's interests.

### 3.3. Manage Stakeholder Engagement

The process of **communicating and working with** project stakeholders to meet their anticipations/ needs, to **manage problems** as they take place, and **to come up** with specific stakeholder **engagement** in activities of the project across the whole project life cycle. It allows the project manager to **enhance support and mitigate opposition** from project stakeholders, significantly increasing the possibilities to ensure **project success**.

### 3.4. Control Stakeholder Engagement

It encompasses all the processes that involves of **monitoring** overall project stakeholder relationships and **fine tuning strategies and plans** for stakeholder engagement. It will help in maintaining or to leverage the **effectiveness and efficiency of stakeholder engagement** activities as the project progress which is accompanied by changing environment.

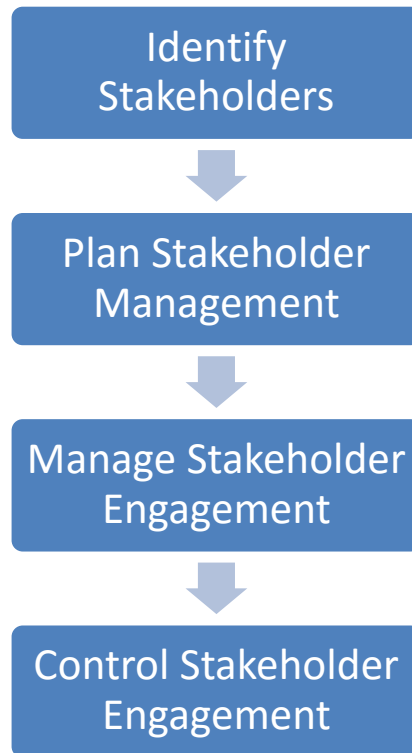


Figure 5: Stakeholder Management Processes as in PMBOK

## 4. STAKEHOLDER MANAGEMENT IN LITERATURE

### 4.1. Stakeholder Management and Project Success

PMI describes project stakeholders as persons or organizations who are actively engaged in the project or whose needs and anticipations may be positively or negatively impacted by how the project is carried out or completed. Project stakeholders may have **disagreeing views** with regard to which factors are the most critical, resulting in even larger roadblock. The project team needs to be able to comprehend the situation at hand, **manage the demands** squarely and ensure proactive communication with all the project stakeholders with the aim of delivering a successful project. They may have **completely opposite anticipations** that might end up in possible conflicts within the project.

The project is currently seen as a **temporary teaming up** of influential individuals and interest groups with their vested interests and stakes that **change over time** with **infringing** targets and who can impact the **decisions and course** of the project. **Project strategy** thus need to evolve steadily through a bargaining process and consensus between the critical actors or stakeholders and sudden unexpected shifts in strategy may surface as the power of the project stakeholders **rise and fall** over time.

So, it is indispensable that the **project's goals are in concordance with its "stakeholders"**, and that they encapsulate the interests of stakeholders as the project

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evolves, circumstances change and the interdependencies of all important systems, stakeholders and their goals change. Winning **approval** for contentious **decisions** or enforcing fruitful **change** during the course of the projects is thus predominantly hooked on **stakeholders' attitudes and motivations**.

Furthermore, in the academic and professional management literature, a general view is that **managing stakeholders and performance of the project are strongly correlated** (Preston, 1995). Additionally, project stakeholders and their interests may be affected by projects or project outcomes; thus, from an **ethical and sustainability perspective**, they must not be dismissed in project management, which is ruminated in describing the project success (Freeman R. H., 2007).

Effective stakeholder management **lessens the chances of project failure** caused by unsolved problems and confines the flutters that occurs when project is getting executed. To this end, analysing just who the stakeholders are, their respective needs/ drivers and how they act is **cardinal** to present-day project organisations. In particular, more attention must spin around **identifying the most important project stakeholders** for the survival of the organisation and meeting their respective needs and anticipations (Baron.D, 2009).

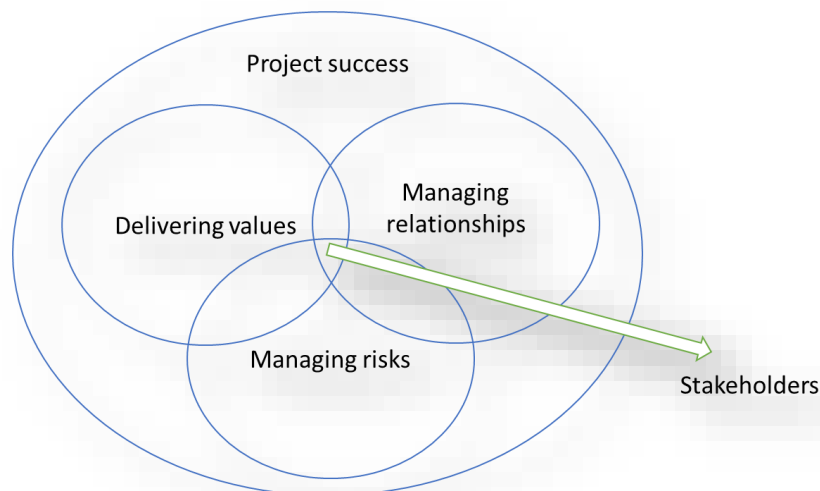


Figure 6: Three elements of project success (Bourne, 2005)

A **negative notion** to the project by stakeholders can very badly **impede** its execution. Such issues will cause **budget overruns** and **overstepped time schedules** due to **contradictions and controversies** concerning design and execution of the project. So, **evaluation of the demands of stakeholder and their impact** should be

treated as an essential and **indispensable step** in the planning, execution and finish of any project (Stefan Olander, 2005).

International projects face **diverse pressures** from its **complicated and unpredictable** external stakeholder environments. In order to **minimize uncertainty**, **stakeholder analysis** is carried out by project management team to interpret about the project environment (Aaltonen, 2011).

The **perception** that is held by the key stakeholders about the value generated from the project and their **relationship** with the project team and other stakeholders defines the **success and failure** of the project. So relationship management is extremely important to deliver expected values which conforms to needs and anticipations of the stakeholders (Bourne L, 2005).

### 4.2. Importance of managing stakeholders

The importance of managing stakeholders is elucidated in various research papers. The effective management of stakeholders will result in increased shareholder value (Amy J. Hillman, 2001). And when the primary stakeholders like employees, clients, suppliers, contractors, etc. who are involved directly in the economic transactions, are handled properly direct cost (rent, wages, material cost, etc.) is controlled and reduced to a very large extent (Gordon J. Alexander, 1978). The capability of project managers to deliver value and keep its stakeholders satisfied determines organization's existence and extending success (Clarkson, 1995) (Roberts, 1992). The stakeholder practices and principles adopted by the project managers helps in fulfilling intended objectives set by the project organization (Preston, 1995). The project organizations have failed due to many possible reasons. And one of the effective mechanisms to handle this crisis is to take the stakeholder management seriously than just a voluntary model (Wood, 2003). During project execution, duties and roles of all the stakeholders must be considered to fulfill their needs. When the stakeholders are poorly managed it jeopardize the success of projects and results in time delays and cost overrun (Yang J S. G., 2009b).

PMBOK suggests that by actively carrying out project stakeholder management throughout the project life cycle decreases the chances of project failure due to unresolved stakeholder issues, enhances the capability of stakeholders to operate together and limits operational roadblocks. To guarantee project success, the impact of all stakeholders with respect to project requirements should be managed in an uninterrupted process

Thus managing project stakeholders is of paramount importance in successfully completing the project.

### 4.3. Who is a stakeholder

Stakeholder is any group or individual who can **influence or influenced** by the accomplishment of the organization's objectives (Freeman R. , 1984). They are people or small groups with the power to negotiate with, respond to and **influence the strategic future of the project organization** (Eden, 2011).



Figure 7: Project Stakeholder’s network (Cleland 1986)

So let’s first define what is ‘stake’. The term **stake is referred to something that can be lost**. In legal terms, it is synonymous to legitimacy, and it is defined as legal share or right of something; a financial participation with something (Mitchell, 1997).

Table 6 who is a Stakeholder?

Source	Stakeholder
Stanford memo, 1963	Group who is supportive, without whom the organization fails to survive
(Rhenman.E, 1964)	Who depends on the firm to accomplish their goals and vice-versa
(Freeman, 1987)	can influence or is influenced by a business
(Shapiro, 1987)	claimants with contracts

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(Freeman E. &, 1988)	Have a claim or stake in the firm. Those are benefitted from or are harmed by, and whose rights are infringed or honoured by corporate actions
(Carroll.GR, 1989)	claims to have one or more of these kinds of stakes ranging from rights , interests, ownership, etc. in assets of the company
(Thompson, 1991)	Who has "relationship with an firm"
(Savage, 1991)	Those who are interested in and have power to impact
(Jones.TM, 1992)	Who have legal stake through mutual relationship. Render key resources (contributions) in exchange of interests to be fulfilled (incentives)
(Brenner.SN, 1993)	having some authentic, serious relationship with a firm
(Freeman.RE, 1994)	actors in "the human process of creating values jointly"
(Starik.M, 1994)	who might be influenced or influencers
(Clarkson.MBE, 1995)	Hold risk due to investment of resource & activities of firm. Have, or rights, ownership, claim or interests in the firm
(Preston, 1995)	"persons or groups with authentic interests in routine and/or essential aspects of firm's activity

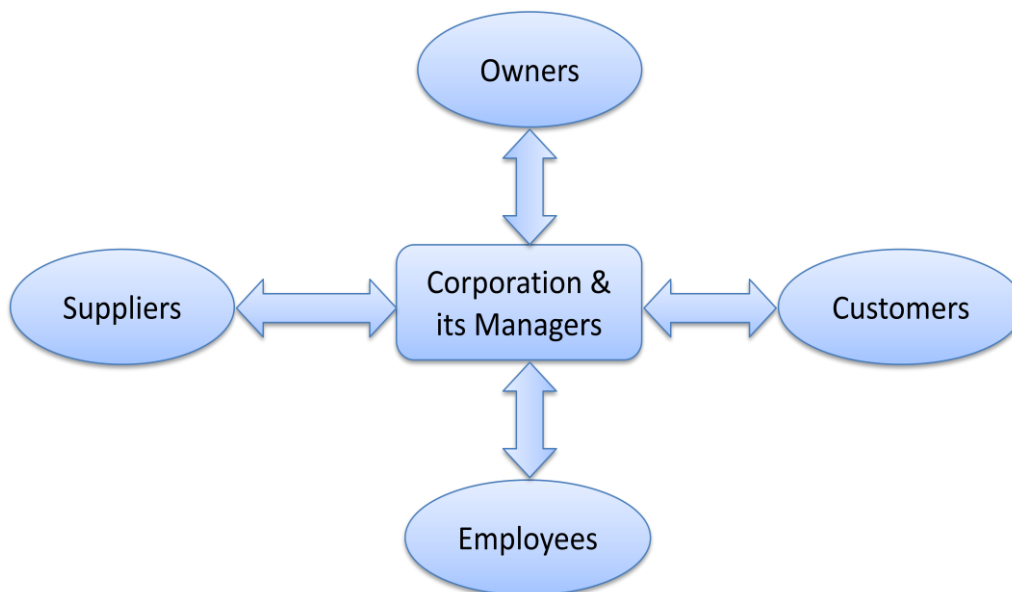


Figure 8 Managerial View of the Firm, By Freeman 1984

### 4.4. Stakeholder theory

Stakeholder theory is defined as managerial approach and advocates the attitudes, structures, and practices that, taken together, comprise philosophy of stakeholder management (Preston, 1995). The concept of **client**, which was prominent throughout the 20<sup>th</sup> century, is now disused and is being substituted by the term **project stakeholders**. And **conducting stakeholder** analysis in figuring out the level

of power, interest and predictability by project managers is becoming more **central** (Newcombe, 2003).

Stakeholder theory has become a **powerful heuristic** to govern stakeholder stratification and management strategy & behaviour towards them. And there is certain level of **vagueness** in this concept as it would include **almost anyone in broader sense** and in **narrow triangulation** would spin around normative core of legitimacy so that managers can be advised to focus on the claims of a **few legitimate stakeholders**.

The conception of project stakeholder environment is **not fully demonstrated** or outlined in the current project management literature, even though **informal reference** to a projects' complex stakeholder environments have been made in the past researches (Martinsuo, 2009).

### 4.5. Aspects of stakeholder theory

From the perspective of, (Clarkson, 1995) (Preston, 1995), (Rowley, 1997), the concept of stakeholder management serves to ensure organisations identify, scrutinize and understand the individual and group traits that **impact or are impacted by** firm's behaviours and actions. The literatures show that **no one method for stakeholder analysis is perfect** (Yang, 2014).

In regards the conceptualization of stakeholder theory, one question demanding clarification is that of the **concept of stakeholder itself as it is deployed haphazardly and called for to establish limits**. We find **lack of evidence** in literatures on the **limits** as to what makes a stakeholder group as well as prescribing the **measures** for ascribing individual membership to one or another group. Also in depth understanding is required on the aspects such as **conflicts of interest** between stakeholders and difficulties of management in **coping with multiple goals** (Emerson Wagner Mainardes, 2011).

Also there is a **low level of theoretical consolidation** whether in terms of the **normative** (which demonstrates how businesses **should** function, especially with respect to principles of morality), **instrumental** (which describes how to **accomplish** firm's objectives through stakeholder management (or) if certain practices are followed, then certain results will be achieved) or **descriptive** (which sets out how the organization **functions** in terms of stakeholder management) dimensions as well as within the actual dimensions **themselves** (Le'pineux, 2005).

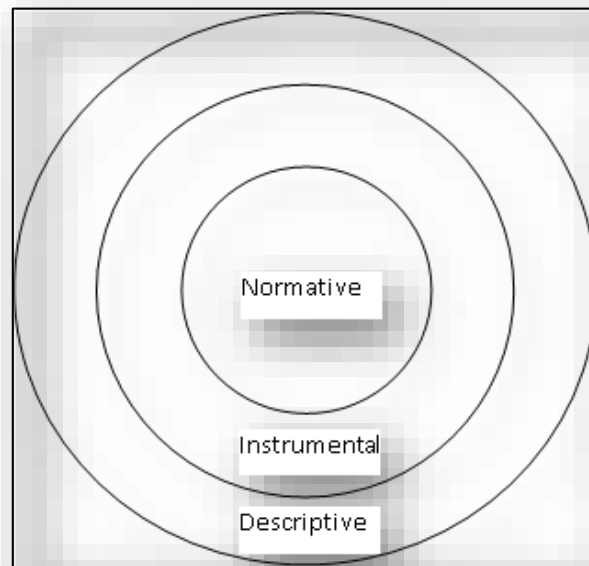


Figure 9: Three aspects stakeholder theory – schematic nesting of paradigms

Also the stakeholders have **anticipations**, experience the impacts of the **relationship** with the firm, **assess** the results obtained and act agreeing to their assessments, fortifying or otherwise their links. (Shrivastava, 2010) The two basic factors that formulate stakeholder theory are **classification** of stakeholders and the means of **interaction** of project stakeholders. And different models were purported to address the above factors but **no consensus** came forth in putting them in practice. In spite of many researchers approaching stakeholder theory asserting that the firm should relate to its stakeholders, there are very few researches describing just **what types of relationship** actually exist (Raposo, 2012).

#### 4.6. Stakeholder Model

**Primitive model** of stakeholder map is represented as given figure 9. There the external **environment is neglected**. The term 'stakeholder' was introduced to lessen the intensity of some of these concerns and none of the potential actors are excluded from the purview. But this definition was very broad and without further elucidation leaves the term 'stakeholder' open to the challenge that it **can be attributed to anyone or anything**, and hence a **meaningless** proposition (Eric W. Orts, 2002).

Freeman's model shows **firm at the centre** and it interacts with the external stakeholders. In this model, firm-stakeholder relationships are **dyadic and mutually independent**. The main assumptions include (Freeman R. , 1984):

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- Focus on **relationships** in terms of processes and results for the firm and the stakeholder.
- The needs of all authentic stakeholders are of intrinsic value and **no single set of interests supersede over all others**.
- The theory centres on **managerial decision making**.
- Stakeholders seek to **impact** firm's decision making processes so they become coherent with their priorities and needs.
- Firms should **try** to understand, accommodate and balance the interests of various participants.

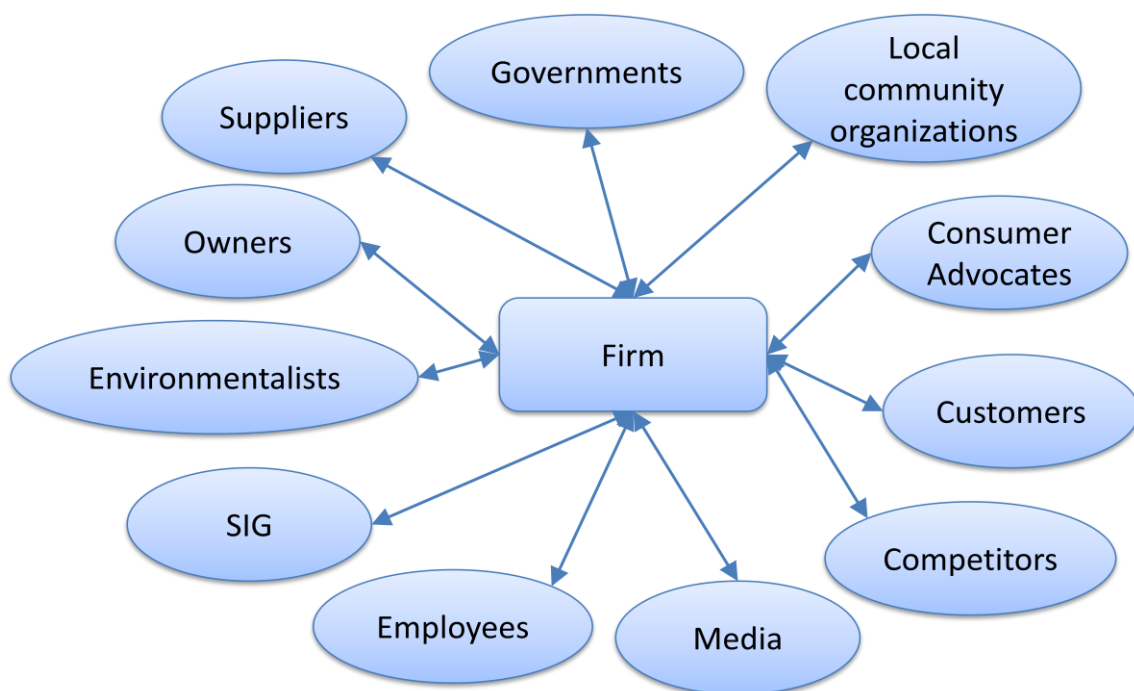


Figure 10 Stakeholder model of firm, By Freeman 1984

Robert Newcombe further suggests the following (Newcombe, 2003):

- The client is obviously **not a single entity**.
- Different stakeholders having **different levels of power, predictability & interest** can be seen as multiple clients for the project.

### 4.7. How stakeholders interact with project

Stakeholders interact with the project in two primary arenas.

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- **The cultural arena** – this is made up of **ideology or shared values** of the project participants and may be used to shape or restrain changes. Culture is a driving force for group-action among project stakeholders.
- **The political arena** – this is the arena where influential individuals and interest groups (stakeholders) **use power** to accomplish their goals; these often contradict with the goals and anticipations of other stakeholders participating in the project.

Thus stakeholders act in the project through two counterbalancing forces, the **centrifugal** force of conflict and competition in the **political** and the **centripetal** force of co-operation through the **culture** arena. And these forces are impregnated throughout the project organization (Mintzberg.H, 1995).

### 4.8. Stakeholder: Interests, Needs, Drivers, Influence & Contribution

Some of their influence and their interests are tabulated below:

#### **Managers/ Directors:**

**Drivers:** Profitability is one of the important parameters a manager of any firm will focus at. And to be able to sustain in the long run focusing on survival and growth is what managers look for (McMenamin, 2005).

**Influence:** The organizational setup lends authority and power to control for managers over the employees in order to shape the members and increase their productivity by motivation and commitment (Bendix, 1963). Also ideal managers have influencing skills, ability to network easily and understand politics to lead the team (Robert Lussier, 2015).

#### **Team members:**

**Drivers:** Job security, compensation and rewards are very crucial factors which can affect the performance of an employee at work. They expect fair treatment and to work in a place where their occupational health is taken care of and exercised as a legitimate aspect (Laura Hartman, 2008) (Kickul, 2001).

**Influence:** The skilled workforce has become one of the most differentiating and competitive factors for an organization. Much of the cost benefit achieved by operational efficiency is driven by competitive and skilled workforce. And when such work force is a scarce resource, the firm has a firm advantage over its competitors (Pfeffer, 1996).

#### **Technical/Design**

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**Drivers:** Competitive price, design specification that better captures customers mind are the aspects that design/ engineering team will look for. They also try to embed innovative solutions to address the needs of the end customers (Webb, 1996).

**Influence:** Design team decides on the most appropriate materials for building the product. They configure the content and presentation of information about the materials. They influence on the following factors: Materials comparable information, product issues, material samples. They influence the buying decision (Kesteren, 2008).

### **Manufacture, Production, Operation**

**Drivers:** The production/operation team focus on zero-defect quality, no stoppage in production and if it happens then repair should be done and restart the production immediately. So they focus on efficient production as per the production plan (Dooyoung Shin, 1995).

**Influence:** So they want raw materials respecting the five rights- right quantity, right quality, proper source, right time and optimum price so that they could have efficient production. Thus they can give feedback on suppliers and influence purchasing (CIPS). And they can control the production output and can disrupt the entire calendar and delivery to customers (Selwyn, 2007).

### **Sales & Marketing**

**Drivers:** They are more focussed on maintaining some key relations between the firm and customers and held responsible for financial accountability and delivering promised and agreed products & services (Rust, 1999).

**Influence:** Marketing has a main role of fulfilling promises made to customer. So, they have greater influence in the configuration and implementation of SCM of the firm (Soonhong Min, 2000).

### **Finance & Admin**

**Drivers:** To create and ensure that all the financial procedures are followed (Invoicing, control of cash flows, credit, budget & cost). Maintain all financial data in the information system.

**Influence:** And hence they to some extent control the budget allocation for the projects, define the transaction terms and conditions with the suppliers and also involve in cost reduction activities across the firm activities (Timothy.J.Gallagher, 2007).

### **Storage & Distribution**

**Drivers:** Need continuous availability of logistics data in-order to have more reliable, cost effective and robust logistic solutions (Haasis, 2008). Also they are interested in

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green transport solutions as international communities are pressing more of sustainability (Amy J.C. Trappey, 2012).

**Influence:** They have strong influence on the flow of materials and nature of production process as both these activities depends on the efficiency and effectiveness of logistics. They also determine to some extent the material conditions, extent of damage, wastages, etc. (A. Agapiou, 1998)

### Shareholders

**Drivers:** Shareholders need transparent, authentic information about the firm's financial activities in the form of reports to assess the organizational health and predict its future performance. We have regulatory bodies which ensure shareholder rights as they are impel corporate economy. Also corporate governance is established to increase the shareholder value (returns). It also ensures that the directors are acting in accordance with the welfare of the shareholders when directors are not representing majority of shareholders.

**Influence:** They finance the activities of the firm when it goes public. And they also have voting powers within the organization to drive the future direction apart from influencing the share price of the firm (Elliott, 2007).

### Customers

**Drivers:** Every customers buys a product or service to satisfy their needs. It gives them material support, ability to fulfil his desires and gives satisfaction during and after the use. This drives him towards one product over another (João Flores, 2015).

**Influence:** Companies have to maintain its service quality dimensions as dictated by customer needs and wants, failing which they will switch to other competitors. So retaining the customers by examining their wants and addressing their issues will create competitive edge for the firms (Glynn, 1993).

### Suppliers

**Drivers:** The bad supplier-buyer relationship could be very destructive for both the involved parties. So they should agree upon mechanisms that smoothen out the conflicts and ensure win-win situations for both the parties. Also motivating and managing the suppliers would profit the buyer (Chris Ellegaard, 2015).

**Influence:** Firm depends on the critical supplies of the supplier. They could be influence by controlling or leveraging their support in delivering them in terms of quantity, quality, delivery lead time and optimum price. And if they are monopoly then they have more bargaining power over buyers (Michael.E.Porter, 1997).

### Banks & Lenders

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**Drivers:** The credit quality (firm's ability to pay debts and remain solvent) of the firm (debtor) determines the bank's decision to lend money as it is very important for creditor's survival (David J Denis, 2003). One such example is the subprime crisis. Also any lending party wants to maintain synergy with the firm.

**Influence:** Business Development Services and banks are important leveraging factors for the firms to scale up their operations and grow their business. They can also provide many value added services and synergize with them. And also they have the ability to control the credits of the firm (Merten Sievers, 2007).

### Regulatory bodies & Government

**Drivers:** They actually get revenue through corporate tax and there is competition among countries over it. And they collect more corporate tax when it is very attractive for investors to run business. Also it creates a healthy economic activity and adds to GDP (Slemrod, 2004) (Michael P. Devereux, 2008). Also it helps in generating employment for the local people and helps in the development of the society at large.

**Influence:** So they have power to enforce requirements through regulations, legislations & penalties and can control the funding. They also help and direct the companies with established guidelines (Starbird, 2000). Also when the government is one of the primary stakeholders line supplier, buyer, etc. they have competitive advantage for negotiations and discounts (Pease, 2011).

### Interest Groups

**Drivers:** They want to be established as a central forum for the member firms and to protect their interests. They also need access to the information of the business happenings of its members to better ascertain the situations and to plan for actions (Peetz, 1998) (Booth, 1994). It also requires sponsors and funding from the firms to exist.

**Influence:** When the firms join hands they can lobby, refuse business for their interests to be preserved as their voice becomes stronger when they are in group. And also they can influence other firms through its activities. Also they can leverage the values for their member firms (Matilde Bombardini, 2012).

We just summarized it in the table below the drivers and influence of all the stakeholders.

Table 7 Drivers/Influence of various stakeholders

Stakeholder	Needs/ Interests/ Drivers	Influence/Contribution
Managers/ Directors	Firm's profitability, survival and growth	Formal authority over planning
	Fulfillment of goals and projects	Shape the motivation and

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	for which they are accountable for (requiring purchasing inputs and/or support)	commitment of the staff Influence through networking, influencing skills and politics
<b>team members/ Staff or other members of the firm</b>	Firm`s profitability, survival for continued employment	Rare resource: competitive edge in times or areas of skill shortage
	Support inputs and information to fulfill goals and earn rewards	Threat of withdrawn labor
	Safe and Healthy work environment	Potential to create value through motivated, skilled performance, flexibility, etc. (especially in services)
	Ethical and just treatment	
<b>Design/ Technical</b>	Accurate fulfilment of specifications	Check specifications and materials which the purchaser will have to render into purchase orders
	Relevant, Timely, expert advice on availability and price issues	
	Connection with suppliers who might contribute expertise and innovation	
<b>Production/ Manufacture/ Operation</b>	Correct input at optimum price, agreed quality, delivered to right place at right time to ensure efficient production flow	Critical internal customer: purchasing performance assessed by fulfilment of 'five rights'
	Management of suppliers and SCM to support innovation, flexibility, JIT supply, etc.	Provision of feedback on quality of inputs to assist supplier and contract management
	Sourcing and procurement services (e.g. for capital equipment) or consultancy	
<b>Marketing and Sales</b>	Customization, Quality, and delivery levels agreed clients	Provision of customer feedback & market research information to influence quality management and product specifications
	Responsiveness to demands and feedback & Fulfilment of promises made to clients;	
	Information on products and delivery schedules for promotions	Promises made to clients via marketing communications which purchasing must contribute to delivering
	Sourcing and procurement services (e.g. printing services, office supplies, sales force cars) or consultancy (e.g. for own media space buying or agency selection)	

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<b>Finance/ admin</b>	bind to financial procedures (e.g. invoicing arrangements, budgetary control)	Influence or Control allocation of budget
	Notification of conditions agreed with upstream suppliers (e.g. payment conditions, discount)	Action payment of suppliers
	Support for controlling cost and/or reduction	May impact on supplier relationships (e.g. if payment for supplies is withheld or late)
	Provision of info for credit control, costing, budgetary control, etc.	
	procurement and Sourcing services (e.g. for IT systems and stationery) or consultancy	May be champions or leaders of cost reduction and control initiatives
<b>distribution and Storage (or logistics)- if not part of purchasing and supply</b>	Timely info about outgoing and incoming orders for storage planning and transport	Influence or Control timely flow of outgoing and incoming deliveries
	Policies for safe goods handling, green transport planning, etc.	Influence on obsolescence, wastage and damage of supplies (e.g. through secure, safe & efficient storage and transport)
	procurement and Sourcing services (e.g. for equipment) or consultancy	
<b>Shareholders</b>	Dividends, ROI	financiers and Owners of the firm
	Corporate governance: accountability, transparency, directors protecting their interests	Voting power at firm's meetings
		Power to sell shares (influencing perception of the financial market and share price)
<b>End customers</b>	Satisfaction of complex bundle of motives and expectations for buying (e.g.: service experience, value for money, quality,)-different for customers and or industrial buyers	Focus of all business activity
		Source of sales, revenue and profits
		Source of feedback information (via complaints, surveys, etc.)
		Power to withdraw or switch customers
<b>Suppliers</b>	Clear specifications (less disputes)	Provision for potentially critical inputs (at required price, quality, time)
	Efficient transaction and relationship handling	
	Fair procedures for giving contracts	Power to withhold or restrict supply

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	Paying debts timely	Expertise (e.g. for product specification and development)
	Chances for taking reasonable profit	
	Opportunities for development through alliance, regular trading or partnership	Potential for added value (e.g. via continuous improvement, JIT, collaborative waste reduction, lean supply)
	Feedback info to support service	
<b>Lenders/ Financial Institutions</b>	Financial stability and strength of the firm (for loan security)	Short-term and long-term loan finance to develop and maintain operations
	ROI (e.g. via interest)	Added value services (e.g. currency management and insurance)
	Mutually beneficial ongoing relationship	Power to withdraw or restrict credit facilities
<b>regulatory bodies and Government</b>	Corporate tax revenue	Power to enforce requirements through regulations, legislations, penalties
	Healthy level of economic activity	Control over public funding and tax levels (e.g. Via grants)
	Compliance with regulation and legislation	Bargaining power as a large supplier or customer of goods or services
	Returns and Reports	
	Support for employment and community development	Guidance and Support for business
<b>Interest Groups (e.g. consumer associations, trade unions) and Pressure Groups (e.g. Greenpeace)</b>	Increased awareness and Promotion of a cause or issue (e.g. environment, fair trade)	May shape policy (e.g. via lobbying)
	Protection of interests and rights of the members	Inform and mobilize consumer and public opinion for/ against the organization
	Accessibility and Access to information	Source of info, reissues and impacts
	donation funding or Sponsorship	May collaborate to leverage ethical credentials of the firm or brand Power to marshal protests or boycotts
<b>Community and society at large</b>	Access to products and services, employment	Pool of current and potential customers, suppliers and employees

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	Product safety	Power to marshal government policy and consumer opinion
	Affordability of essential goods and services	
	Socially responsible business and environmental practices: Minimizing harm	

Thus, there is a wide variety of interests, needs, drivers, influence and contribution for different stakeholders which can in many complex ways change the way the business is run. So managing them is very complex.

With all the above diverse influences and interests of multitude stakeholders, the stakeholder management is becoming **more complex**. And in order to make a project successful, the **interests** of either the **key stakeholders or even of all** stakeholders should be taken into account (Achterkamp MC, 2008).

Also it could be reasoned that patterns of stakeholder salience are not only shaped by managerial influences but are also entailed in series of multilevel influences ranging between **micro and macro variables** as shown in below figure (Ezekiel Chinyio, 2010).

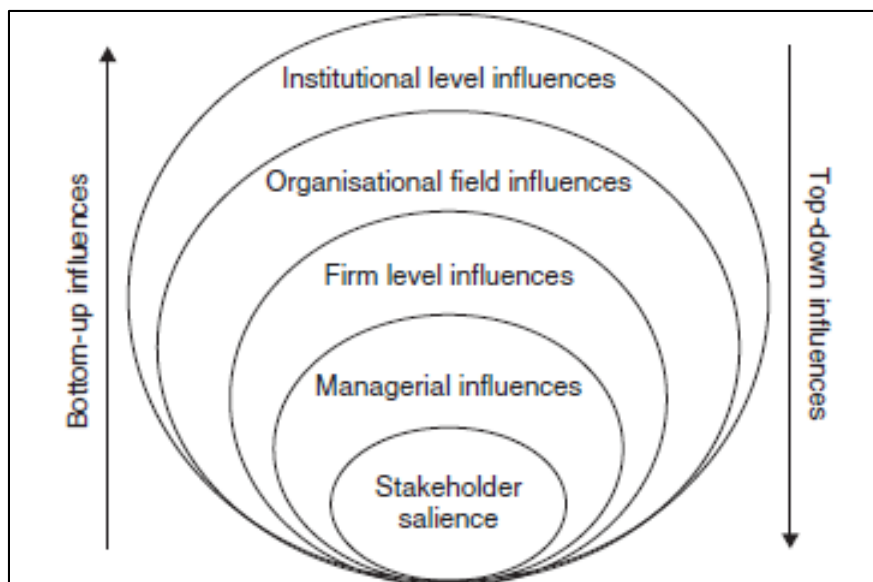


Figure 11: Multilevel influences on stakeholder salience.

#### 4.9. Critical Success Factors for effective stakeholder management

Managing stakeholders has become central for project success. Some of the critical success factors identified in the literature for effective stakeholder management are as follows: (Jing Yang G. Q., 2011)

- **Managing stakeholders with social responsibilities:** It encompasses four layers namely
  - Economic** (El-Sawah.H.M, 2006): Obligation to produce goods and services, sell them at fair prices and make a profit
  - Legal** (Crow.D.A, 2008): Obligation to obey the law
  - Environmental** (Freese.J, 2009): It includes air, plants/animals, dust, water, and noise, and the intention is environmental protection. Its given highest priority on sustainability grounds.
  - Ethical** (Smyth.H, 2008): Issues not covered in law but required by society
- **Exploring stakeholder needs to projects:** Exploring needs and constraints of the stakeholders in projects means to analyze stakeholders' area of interests and list the elaborate issues concerns for stakeholders (Freeman R. H., 2007). Moreover, the importance of "analysis of stakeholder concerns and needs" was proved to be crucial (Olander S. a., 2008).
- **Communicating with and engaging stakeholders properly & frequently:** Effective, regular, and planned communication with all the project members is important for the success of the project (Cleland.D.I, 1995). Project managers should be highly talented communicators and bargainers and adequate enough to handle individual stakeholder's needs and forming a positive culture change within the overall organization (Weaver.P, 2007).
- **Understanding area of stakeholder interest area:** Identifying the interests of the stakeholders is a significant task to evaluate stakeholders (Freeman R. H., 2007).
- **Properly identifying stakeholders:** Project stakeholders can be split into different categories according to different criteria, but the question of "who are stakeholders?" must be answered first before categorizing and managing stakeholders (Frooman.J, 1999).
- **Keeping and promoting a good relationship:** Successful relationships between the project and its stakeholders are crucial for successful completion of projects and fulfilling expectations of stakeholder (Hartmann.F.T, 2002). Commitment and trust among stakeholders can be developed and observed by an effective relationships management (Bourne L, 2005).
- **Analyzing conflicts and coalitions among stakeholders:** Conflict occurs whenever discrepancies prevail in a social situation. Understanding the conflicts

and coalitions among stakeholders is a critical step for stakeholder management (Freeman R. , 1984). Types of conflict include “substantive conflict and emotional conflict” (Schermerhorn, Hunt, & Osborn, 2003). Project managers must know the possible conflicts stemming from divergent interests. Stakeholders who share goals or interests about the project, are more certain to form coalitions (Freeman R. , 1984).

- **Accurately predicting the influence of stakeholders:** Project management procedure is influenced by project stakeholders. Therefore understanding influence of the stakeholders is critical to “plan and carry out a sufficiently exhaustive stakeholder management process (Landin.A, 2005).
- **Formulating appropriate strategies for the management of stakeholders:** The prime question of stakeholder management is “what are the strategies that firms can use to address stakeholders? Basically the stakeholder management strategy is the attitude how the project management team handles different stakeholders (Schwager.H.P, 2004).
- **Assessing attributes (power, urgency, legitimacy and proximity) of stakeholders:** (Bourne L, 2005), (Mitchell, 1997)
- **Effectively resolving conflicts between stakeholders:** Since there are diverse conflicts among stakeholders, settling these conflicts become important for project managers to make decisions. Also there is a positive relationship between conflict resolution and stakeholder satisfaction (Antony.J, 2002).
- **Formulating a clear statement of project mission:** The formulation of a clear mission for the projects at various stages is widely recommended for effective management of stakeholders. Also defining common goals, objectives and project priorities” is very important for bettering stakeholder management (Winch.G, 2000).
- **Predicting stakeholder reactions to implementation of the strategies:** ‘Stakeholders’ reactions to the strategies is a crucial factor when project managers make decisions about strategies to manage with stakeholders (Freeman R. H., 2007). Project team should go ahead and tell in advance the stakeholder behavior in implementing strategy
- **Analyzing the changes in stakeholder influences and relationships:** Stakeholders and their influence shift over time, and this hinges on the strategic issue being considered. The uncertainty caused by stakeholders includes “who the stakeholders are”, the impact of them, their needs, and the significance of relationships among Stakeholders (Chapman.C, 2008).
- **Assessing stakeholder behavior:** The willingness and capacity of stakeholders to jeopardize or collaborate with project teams should be assessed during stakeholder management process. Stakeholders’ behavior can be sorted into 3 categories: observed behavior, cooperative potential and competitive threat (Freeman R. H., 2007).

#### 4.10. Strategies shaping stakeholder salience

With increasing globalization, the projects **go beyond the country borders** and such projects not only have technical risks, they also have **cultural, social and political risks** from the engagement of **diverse actors** with various objectives, goals and strategies. So the stakeholders will use **various strategies to demonstrate their salience** in order to accomplish their needs (Kirsi Aaltonen, 2008).

Table 8: Classification of stakeholder salience shaping strategies in projects

Types of stakeholder strategy	Description
Direct withholding strategy	Stakeholders <b>limit project's access to key resources</b> which are managed by the stakeholder to enhance their perceived power
Indirect withholding strategy	Stakeholders <b>control project's access to resources that are not directly controlled</b> by the specific stakeholder to enhance their perceived power
Credibility building strategy	Stakeholders <b>enhance their perceived legitimacy by taking in credible and capable resources</b> , for example, capable individuals with good networks or reputation
Direct action strategy	Stakeholders <b>devise dissents, road blockades</b> , etc. to enhance the perceived urgency of stakeholder claims
Conflict escalation strategy	Stakeholders try to <b>intensify the conflict beyond</b> start project associated reasons (e.g. <b>political</b> ). As a result, the project may become a place for non-project pertained conflicts. This may bring in a new institutional environment in which claims of the stakeholders are perceived as more authentic.
Communication strategy	Stakeholders <b>use various kinds of media to</b> communicate and leverage the perceived legitimacy and urgency of their claims
Coalition building strategy	Stakeholders <b>develop bonds with other project stakeholders</b> to enhance their perceived power or legitimacy
Resource building strategy	Stakeholders <b>acquire and recruit key and capable resources</b> to their group to enhance their perceived influence

Source: (Aaltonen, 2011)

Table 9: The decision-making strategies for stakeholder management

Researcher	Strategy	Explanation of the Strategy
(Sivonen,R, 2009)	Adaption	Obey the demands and rules that are presented by stakeholders
	Compromise	Bargain with the stakeholders, hear to their claims related to the project and give possible actions and arenas for dialogues.
	Avoidance	Loose attachments to stakeholders and their claims in order to defend and screen oneself against the claims
	Dismissal	Ignore the staged demands of stakeholders.
	Influence	Formulate proactively the values and demands of stakeholders; actively share data and make relationships with stakeholders.

Source: (Rebecca J. Yang, 2014)

Thus to achieve project success, it is therefore **critical to understand** both the **interests** of stakeholders and the **means** through which they attempt to achieve their interests and objectives.

#### 4.11. Stakeholder Management Process Models

Table 10 Stakeholder management process models

Scholars	Stakeholder management processes
(Karlsen J. , 2002.)	<b>Identification</b> of stakeholders; <b>examining</b> the characteristics of stakeholders; <b>communicating</b> and sharing data with stakeholders; formulating <b>strategies, following through.</b>
(Elias, 2002)	Build a stakeholder <b>map</b> of the project; devise a <b>chart</b> of specific stakeholders; describe the <b>stakes</b> of stakeholders; creating a power versus stake <b>grid</b> ; Carry out a <b>process level stakeholder analysis</b> ; Carry out a <b>transactional level stakeholder analysis</b> ; determine the stakeholder involvement <b>capability</b> of the R&D projects; analyze the <b>dynamics</b> of stakeholder interactions.
(Young T. , 2006)	<b>Identify</b> stakeholders; collect <b>data</b> about stakeholders; examine the <b>influence</b> of stakeholders.
(Bourne L, 2005)	<b>Identifying</b> stakeholders; <b>prioritizing</b> stakeholders; developing a <b>stakeholder</b> engagement strategy.

(Olander S. , 2006)	<b>Identification</b> of stakeholders; Gathering <b>information</b> on stakeholders; Identifying stakeholder <b>mission</b> ; Determining stakeholder <b>strengths and weaknesses</b> ; <b>Identifying</b> stakeholder <b>strategy</b> ; Predicting stakeholder <b>behavior</b> ; <b>Implementing</b> stakeholder management <b>strategy</b> .
(Walker D. B., 2008)	<b>Identify</b> stakeholder; <b>Prioritize</b> stakeholders; <b>envision</b> stakeholders; <b>Engage</b> stakeholders; <b>Monitor</b> effectiveness of communication.
(Jepsen, 2009)	<b>Identification</b> of the (important) stakeholders; <b>characterization</b> of the stakeholders pointing out their (a) required <b>contributions</b> , (b) <b>anticipations</b> concerning rewards for contributions, (c) <b>power</b> in relation to the project; decision about which <b>strategy</b> to use to influence each stakeholder.

#### 4.12. Various Tools & Methods used in Stakeholder Management

To respond to some of **operational and practical problems** for having **concrete** and **apt methods** for various stakeholder management process, **30 approaches** were compiled from literature and represented in the form of table. Each approach has its **strength and weakness**, so the most suitable method for effective stakeholder management is to use a **mix of elements** from each approach as conditions dictate which includes **purpose** of the stakeholder analysis, the **skills** and **resources** of the enquiring team, and the level of **engagement** (Jing Yang G. Q.-F., 2011).

Table 11: Description of various approaches in stakeholder management

Methods	Strengths	Limitations	Levels of engagement
Advice letters	<ul style="list-style-type: none"> <li>• Can keep stakeholders communicated</li> <li>• Can include details such as delivery date and date of works</li> </ul>	<ul style="list-style-type: none"> <li>• Can be time consuming</li> <li>• May not direct to all stakeholders due to data scarcity</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> </ul>
Directed by higher authorities	<ul style="list-style-type: none"> <li>• Provides advice for project managers</li> </ul>	<ul style="list-style-type: none"> <li>• Not desirable for all problems</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
Displays and exhibits	<ul style="list-style-type: none"> <li>• Can focus stakeholders' attention on the project</li> <li>• Can create interest from the media</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders must be prompted to attend</li> <li>• Can harm the project's reputation if not done well</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> </ul>

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Door knocks	<ul style="list-style-type: none"> <li>• Face-to-face contact ascertain stakeholders understand problem and information can be elicited about opinions they convey</li> </ul>	<ul style="list-style-type: none"> <li>• Can be time consuming</li> <li>• Work better if intimating the stakeholders earlier</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> </ul>
Mail/ E-mail/ fax/phone	<ul style="list-style-type: none"> <li>• Easy and convenient to communicate</li> <li>• Can resolve problems quickly</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to document</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> <li>• Involve</li> <li>• Collaboration</li> <li>• Empower</li> </ul>
Feedback bulletins	<ul style="list-style-type: none"> <li>• Keep stakeholders updated</li> <li>• possibilities to satisfy stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Can be time consuming to prepare</li> <li>• Not all feedback can be let in bulletins</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> </ul>
Focus Groups	<ul style="list-style-type: none"> <li>• Provide opportunity for a broader range of comments</li> <li>• Good for discovering the reasons behind stakeholders' likes/dislikes</li> <li>• Highly relevant when a new proposal is looked at and little is known of stakeholders' thoughts</li> </ul>	<ul style="list-style-type: none"> <li>• Requires careful selection to be a representative sample</li> <li>• Skilled facilitators should be engaged</li> <li>• Costly</li> <li>• Groups may not correspond to majority opinion</li> </ul>	<ul style="list-style-type: none"> <li>• Consult</li> </ul>
Formal memos	<ul style="list-style-type: none"> <li>• Offers elaborate information about stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Can be time consuming to document the data</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
Forums	<ul style="list-style-type: none"> <li>• Promote discussion between stakeholders</li> <li>• Opportunity for exchanging thoughts</li> </ul>	<ul style="list-style-type: none"> <li>• Some stakeholders may not have time to join</li> <li>• May cause discrepancies</li> </ul>	<ul style="list-style-type: none"> <li>• Consult</li> <li>• Involve</li> <li>• Collaboration</li> </ul>
Guidelines	<ul style="list-style-type: none"> <li>• Easy to follow</li> <li>• Includes stakeholder management as responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Takes time to articulate</li> <li>• Stakeholders can change based on circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

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Information hotline	<ul style="list-style-type: none"> <li>• Provides a cheap and simple device for promotion, information and public input</li> <li>• It is easy to render updates on project activities</li> </ul>	<ul style="list-style-type: none"> <li>• Must be substantially advertised to be successful</li> <li>• Delegated contact must have ample knowledge of the project to be able to answer questions swiftly and precisely</li> <li>• May limit a project officer from executing other tasks</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> </ul>
Interviews	<ul style="list-style-type: none"> <li>• Allow detailed discussion and interpretation of problems</li> <li>• Individual contact means that the place of the meeting is flexible</li> <li>• Able to explicate points in own language</li> <li>• Usually cheap and easy to set up</li> </ul>	<ul style="list-style-type: none"> <li>• Can be time consuming for project team</li> <li>• Can be costly</li> <li>• May not have ample time</li> <li>• Demands skilled interviewers</li> <li>• Little quantitative data collected and not majority opinion</li> </ul>	<ul style="list-style-type: none"> <li>• Consult</li> </ul>
Listening post	<ul style="list-style-type: none"> <li>• Offers an engagement opportunity for those stakeholders who may never go to a formal engagement opportunity</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders may not have time at the listening post session</li> <li>• Team members should allocate a regular time for it</li> </ul>	<ul style="list-style-type: none"> <li>• Consult</li> </ul>
Media management	<ul style="list-style-type: none"> <li>• Opportunity for advertising the project</li> <li>• Opportunity for informing a wide range of stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Can be expensive</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> </ul>
Meetings	<ul style="list-style-type: none"> <li>• Inexpensive and comparatively easy to set up</li> <li>• Makes use of existing networks and allows specific stakeholders to be targeted</li> <li>• Face-to-face contact</li> </ul>	<ul style="list-style-type: none"> <li>• Unknown problems and past relationships between the stakeholders may drive responses</li> <li>• Opinions might not be voice of the wider community</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> <li>• Involve</li> <li>• Collaboration</li> </ul>

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	<p>guarantees attendees understand problems and data can be elicited about views they express</p>		
Negotiations	<ul style="list-style-type: none"> <li>• Inexpensive and quick to resolve problems</li> </ul>	<ul style="list-style-type: none"> <li>• Project team should well be prepared</li> <li>• Concessions should be made sometimes</li> </ul>	<ul style="list-style-type: none"> <li>• Consult</li> <li>• Involve</li> <li>• Collaboration</li> </ul>
postcard series/ Newsletters/ fact sheets	<ul style="list-style-type: none"> <li>• Can offer regular updates on progress feeding a sense of momentum</li> <li>• Opportunity for stakeholders to get known about project issues</li> <li>• Can give positive picture of desire to keep stakeholders informed</li> </ul>	<ul style="list-style-type: none"> <li>• Many stakeholders may never read them</li> <li>• Can be time exhausting to make it on regular basis</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> </ul>
Open house/ open day	<ul style="list-style-type: none"> <li>• Useful when a more number of stakeholders are there</li> <li>• Builds credibility</li> <li>• Allows other team members to be drawn on to respond to tough questions</li> </ul>	<ul style="list-style-type: none"> <li>• It is important to advertise in a number of ways</li> <li>• Difficult to document</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> <li>• Involve</li> <li>• Collaboration</li> </ul>
Past personal experience	<ul style="list-style-type: none"> <li>• Clear understanding about the previous stakeholders</li> <li>• Saves time for consultations</li> </ul>	<ul style="list-style-type: none"> <li>• May have cognitive limitations</li> <li>• Can be useless due to the unique nature of projects</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
Power/interest matrix	<ul style="list-style-type: none"> <li>• Project team can give different attention and apply different engagement methods according to each type of stakeholder</li> </ul>	<ul style="list-style-type: none"> <li>• Hard to assess power</li> <li>• The assessment cannot consider the interrelationship between stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

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	<ul style="list-style-type: none"> <li>• Inexpensive and easy to do</li> </ul>		
Professional services	<ul style="list-style-type: none"> <li>• Provide complete plans for stakeholder management</li> <li>• Saves time for project managers</li> </ul>	<ul style="list-style-type: none"> <li>• Can be costly</li> <li>• May have bias on the project</li> </ul>	<ul style="list-style-type: none"> <li>• Consult</li> <li>• Involve</li> </ul>
Questionnaires and surveys	<ul style="list-style-type: none"> <li>• Respondents' anonymity can encourage more fair answers</li> <li>• Can extend to respondents who are widely scattered or live far distances away</li> <li>• Provides information from those unlikely to attend meetings and workshops</li> <li>• Allows the respondent to fill out at a convenient time</li> <li>• Provide larger samples for lower total costs</li> </ul>	<ul style="list-style-type: none"> <li>• Low response rates can bias the results</li> <li>• Care must be taken that wording of questions is unambiguous to prevent skewed results</li> <li>• Care is needed in sampling to make sure representative samples are taken</li> <li>• Information gathered can be superficial and the reasons behind an opinion may not always be clear</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> </ul>
Snowball	<ul style="list-style-type: none"> <li>• Helps to identify unknown stakeholders</li> <li>• Reduces project risks</li> <li>• Builds on resources of existing networks</li> </ul>	<ul style="list-style-type: none"> <li>• Choice of initial contacts is most important</li> <li>• Boundary of stakeholders should be decided properly</li> </ul>	<ul style="list-style-type: none"> <li>• Consult</li> <li>• Involve</li> <li>• Empower</li> </ul>
Social contacts	<ul style="list-style-type: none"> <li>• Build trust with stakeholders</li> <li>• Maximizes two-way dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Suited only for some stakeholders</li> <li>• Need creativity and resource investigation to reach a large number of people</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> <li>• Involve</li> </ul>

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<p>Social network analysis</p>	<ul style="list-style-type: none"> <li>• Views a specific set of linkages among a defined set of persons as a whole to analyze the interrelationship between stakeholders</li> <li>• Can identify powerful stakeholders and the way to involve them</li> <li>• Can visualize the relationship network</li> </ul>	<ul style="list-style-type: none"> <li>• Data collection is difficult</li> <li>• Can be time consuming</li> <li>• A specialist in SNA methods is needed</li> </ul>	<ul style="list-style-type: none"> <li>• Involve</li> </ul>
<p>Stakeholder Circle methodology</p>	<ul style="list-style-type: none"> <li>• Allows project team to make a significant assessment of the stakeholders</li> <li>• Visualizes stakeholders' relative power and influence</li> <li>• Project team can develop engagement strategies according to the current and target levels of stakeholders' interest and support</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration</li> </ul>
<p>Walking tour/ site tour</p>	<ul style="list-style-type: none"> <li>• Provides stakeholders with an understanding about the project</li> <li>• Can be easiest to remember and understand</li> </ul>	<ul style="list-style-type: none"> <li>• Can cause inconvenience in site</li> <li>• Facilities are needed</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> </ul>
<p>Website</p>	<ul style="list-style-type: none"> <li>• Provides access point for information that can be revisited</li> <li>• Provide an opportunity for direct feedback to project team or sharing of problems</li> <li>• Provides platform for regular updates for those who want to know more</li> </ul>	<ul style="list-style-type: none"> <li>• Time consuming to set up</li> <li>• Needs regular maintenance or will not have credibility</li> <li>• May not be accessible to all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Inform</li> <li>• Consult</li> <li>• Involve</li> <li>• Collaboration</li> </ul>

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Workshops	<ul style="list-style-type: none"> <li>• Ideal for looking at particular issues</li> <li>• Excellent for discussion on criteria or analysis of alternatives</li> <li>• Offers a choice for team members to answer difficult questions</li> <li>• Builds ownership and credibility for the outcomes</li> <li>• Maximizes feedback obtained from participants</li> </ul>	<ul style="list-style-type: none"> <li>• Not totally individualized discussion</li> <li>• Needs to be well facilitated with credible individuals who have the interpersonal skills to deal with challenging issues</li> <li>• If actions not followed through can damage trust</li> </ul>	<ul style="list-style-type: none"> <li>• Consult</li> <li>• Involve</li> <li>• Collaboration</li> <li>• Empower</li> </ul>
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Source: (Jing Yang G. Q.-F., 2011)

The **success** of a specific approach depends on internal and external factors, such as the **nature** of the project, the **resources** in the organization, and the communication **environments**. There is no approach for identifying and prioritizing stakeholder that is perfect. **Combining several approaches** when required is the best way to manage stakeholders.

### 4.13. Ranking of Tools & Methods used in the process of stakeholder engagement

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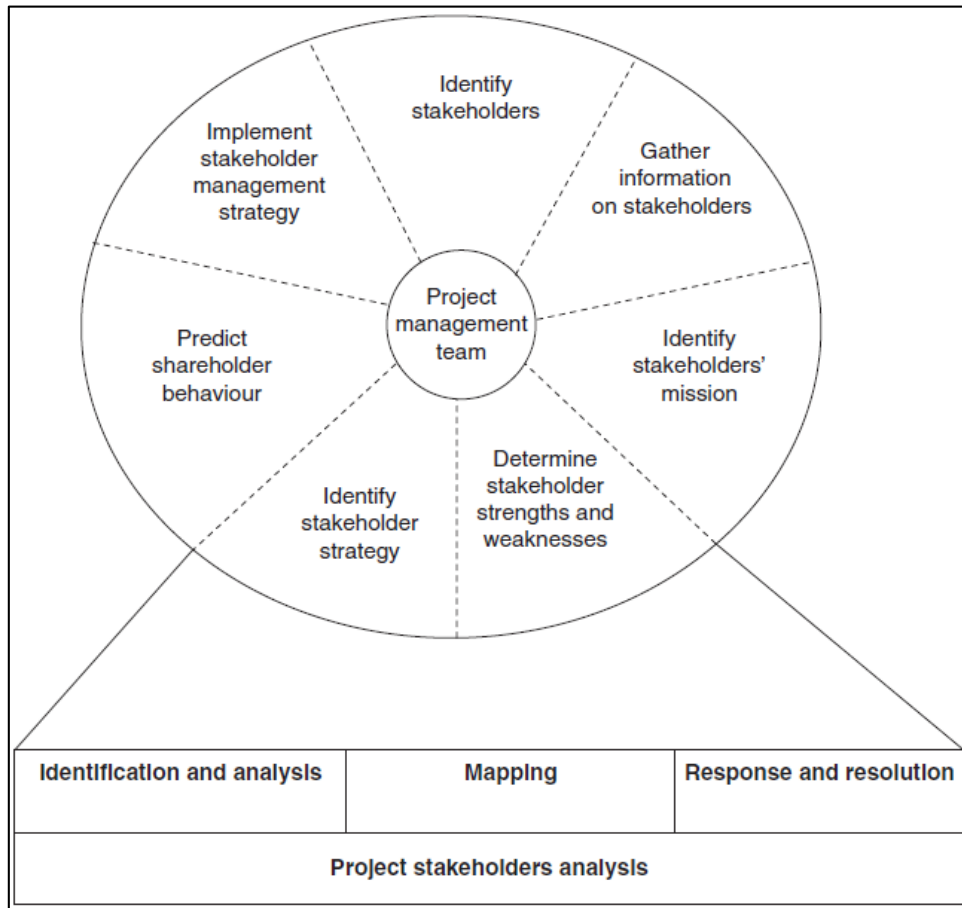


Figure 12: Project stakeholder management cycle (Pinto.J.K, 2007)

Stakeholder engagement includes **communicating** with, involving and **developing relationships** with stakeholders (Chinyio, 2008), (Greenwood, 2007). Stakeholders should be **involved as early as possible** and this involvement is important for analysing stakeholders and decision-making (Yang J S. G., 2009a), (Yang J S. G., 2009b).

Table 12: The methods used in the process of stakeholder engagement

PURPOSE	METHODS	Rank
Identifying stakeholders	Past personal experience	1
	Requesting the obvious/ identified stakeholders to identify others	2
	Guidelines from the government or one's own firm	3
	Professional services	4
	Being guided by a superior	5

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Gathering information from stakeholder	Focus group meetings	1
	Personal past experience	2
	Interviews	3
	Public consultation (e.g. Gazette)	4
	Formal memos	5
	Questionnaires	6
Estimating stakeholders	Past personal experience	1
	Workshops	2
	Interviews	3
	Public engagement approaches	4
	Surveys	5
Making decisions	Meetings	1
	Negotiations	2
	Social contacts	3
	Guidelines	4
	Appealing to Executive Council	5
Implementing decisions	Meetings	1
	Workshops	2
	Negotiations	3
	Interviews	4
	Social contacts	5
	Public engagement approaches	6
	Surveys	7

Source: (Jing Yang G. Q., 2011)

### 4.14. Use of Project KPIs

As a part of solution, it is suggested the use **scorecards**, a set of possible measurements which could calibrate the actions and responses of project team from the respective stakeholders. This guarantees **precise monitoring of many key data points** and types **throughout project life cycle**. Also it helps all the stakeholders to be able to sense and understand the **health** of project and its **progress** in a **simple** and straight forward fashion. Once identification and characterization of the stakeholder is done, these **project indicators and dashboards** could be formulated to monitor the healthiness of the project. The project indicators and dashboard are needed for the following reasons:

- KPIs provide a **window** not only into the **current status** of the project or its performance **in the past**, but also helps to predict **future** problems

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- The ability to **recognize a potential issue** manifesting (e.g. schedule slippage) will allow the project manager and his team to address the situation **ahead of time** and take steps to **mitigate** it accordingly.
- Different KPIs can yield **different insights** into the project as a whole, allowing for **several views** for the project manager and team

### 4.15. Benefits of good Stakeholder Management

Effective stakeholder management can be the difference between an outstanding success and a terrible failure. Successful stakeholder management can result in binding agreements. The resulting benefits may be:

- Better **decision making** and in a more timely manner
- Better **control** of scope changes; prevention of unnecessary changes
- **Follow-on** work from stakeholders
- Ensure end user **satisfaction** and loyalty
- Reduce the **impact** that politics can have on the project
- **Documentation** on the working relationships with the stakeholders must be archived. This is critical for success on **future projects**.

### 4.16. Reasons for Stakeholder Relationship Management failure

At times, irrespective of how hard we try, we will fail at stakeholder relations management. Typical reasons include:

- Involving stakeholders to **participate too early**, results in scope changes and costly delays
- Involving stakeholders to participate **too late** so that their views cannot be considered without costly delays
- Involving the **wrong stakeholders** to take part in critical decisions, resulting in unnecessary changes and criticism by key stakeholders
- Critical stakeholders getting **disinterested** in the project
- Key stakeholders who are **impatient** with the lack of progress
- Allowing the key stakeholders to think that their contributions are meaningless
- Project Management with an **unethical leadership style** or interfacing with the stakeholders in an unethical way (Kerzner, 2011)

## 5. VARIOUS STAKEHOLDER MANAGEMENT FRAMEWORK

There are so many stakeholder frameworks that are discussed in literature. Let us discuss them.

With the model purported by Freeman, one problem that has concerned from the very beginning is **how to deal with all stakeholders at the same time**. According to

(Fassin.Y, 2008) this is just impossible and the utilisation of criteria prioritising stakeholders has always been a theoretical requirement. While conforming to every need is not always possible, there is the need for **paying greater attention to certain specific groups** at the cost of others. Hence, we confound a **dilemma**: where should firms pay their maximum attention? Are they channelizing their efforts right or does there should to be some kind of reconstituting so as to best fulfil the demands of those really important to long-term success and survival? Thus, these are the questions firms has to be concerned about (Miles.S, 2006).

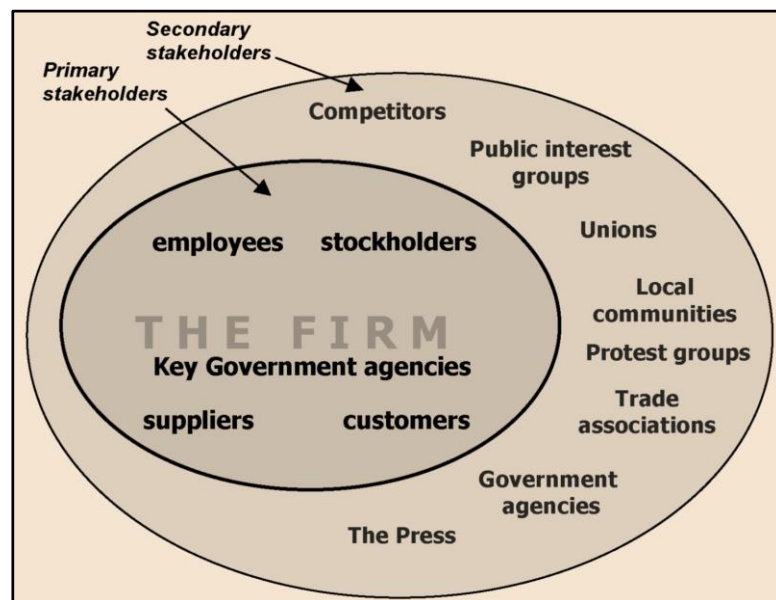
Also identifying **official groupings** of stakeholders is comparatively **not hard**; identifying **informal groupings** is much harder. These unofficial groupings are more likely to have an **altering membership** with **ad hoc coalitions** leaping up in **response to some specific events**.

### 5.1. Primary & Secondary Stakeholders

Freeman categorized stakeholders into two different categories as follows.

**Primary Stakeholders:** Those who have official or formal contractual relationships with the firm, such as employees, shareholders, clients, suppliers among others.

**Secondary Stakeholders:** Those not having formal contractual relationship, such as local community and governments, for instance (Freeman R. , 1984).

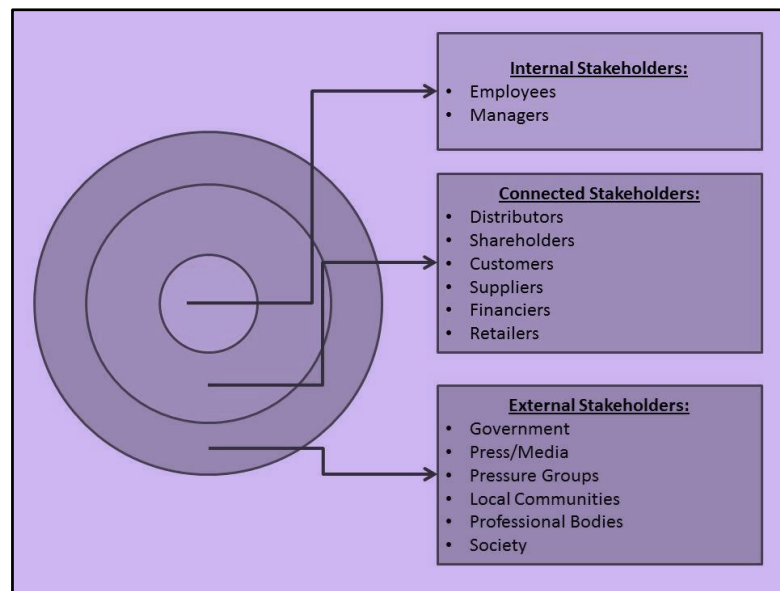


This is very primitive model as we need further sub-classification in-order to devise appropriate strategy to manage these complex stakeholders.

### 5.2. CIPS (Chartered Institute of Purchasing and Supply)

They have classified stakeholders into three distinct categories. They are as follows:

- **Internal stakeholders:** It include general groups such as employees (and/or volunteers or other kind of fellow members, in non-profit organisations) and managers
- **Connected stakeholders:** They often have a major stake in activities of the firm, by their commercial or contractual relationships with the firm
- **External stakeholders:** Businesses are growingly aware of the necessity to keep up a positive reputation in the market, and this necessitates more inclusive approach to stakeholder management, which acknowledges the authentic needs and concerns of broader, secondary or 'informal stakeholders. They are more likely to have rather diverse degrees of influence and goals.



### 5.3. Stakeholder Commitment Matrix

This is one way to classify the stakeholders based on the **level of support** for the project. Support can be taken as one of the key attributes to distinguish stakeholders. Each of the stakeholder is rated in this matrix and occupy a position within (McElroy B, 2003).

Stakeholder	Active Opposition	Passive Opposition	Neutral	Passive Support	Active Support

But this model considers only one of the stakeholder attributes excluding other vital attributes.

#### 5.4. Stakeholder Influence Matrix

Here in Stakeholder Influence Matrix the stakeholders are classified based on their **level of influence** (Young T. L., 2013).

**Decision Maker:** Resource provider and issue resolver

**Direct Influencer:** Directly affects and gets affected by project activities

**Indirect Influencer:** Indirectly affects and gets affected by project activities

**Observer:** Not affected by project activity, but still can influence the project.

Stakeholder	Decision Maker	Direct Influencer	Indirect Influencer	Observer

It takes only influence as the stakeholder attribute, when we have also other major determinants of stakeholder behaviour.

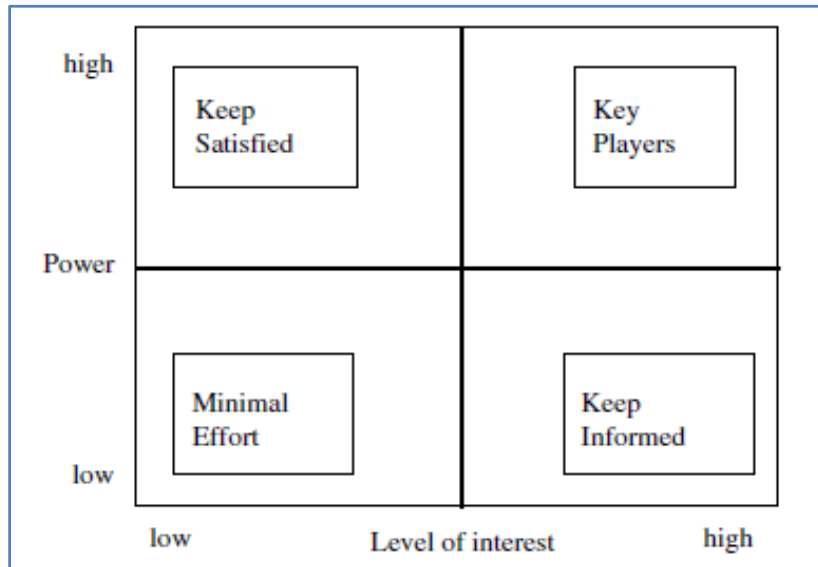
#### 5.5. Power-Interest Stakeholder Matrix

Here we consider two important stakeholder attributes power and interest to characterize the stakeholders. It answers two fundamental questions.

- How much **influence** they have on the project?
- How much **interested** they are in the project?

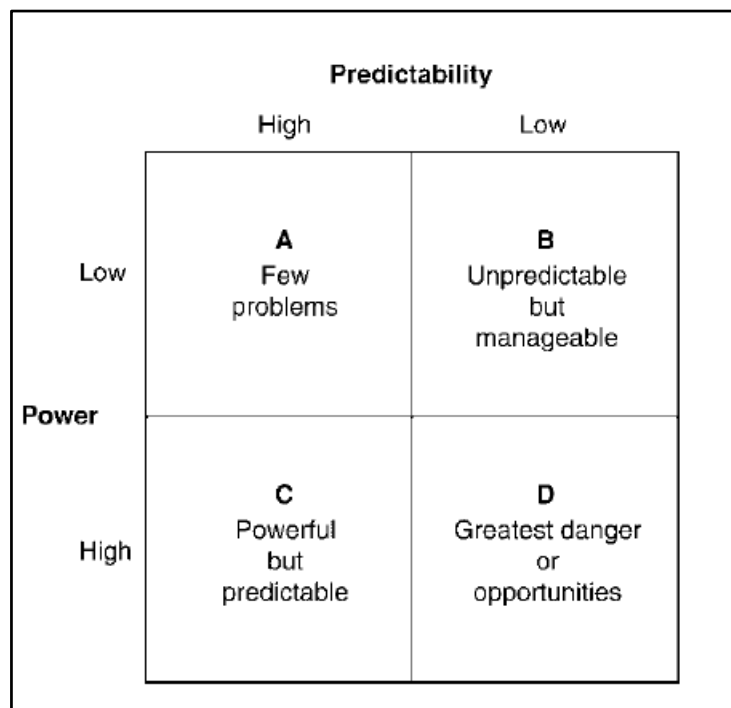
And the strategies to be used to manage them are mapped respectively in the matrix diagram given below (Gerry Johnson, 2008).

This is a two dimensional model to characterize the stakeholders.



### 5.6. Power-Predictability Stakeholder Matrix

This model classifies stakeholders based on the **power** and **predictability** of the stakeholders by the project firm as shown in the matrix diagram (Newcombe, 2003).



**Region A:** Less Power/High Predictability; pose few problems

**Region B:** Less Power/Less Predictability; Manageable as they have less power

**Region C:** High Power/High Predictability; Powerful but manageable

**Region D:** High Power/Low Predictability; Opportunity or threat

### 5.7. Power-Use of Power Stakeholder Matrix

Though **power** is a potential stakeholder attribute, how it is used can change the context of the project. They can exercise power in three different ways. Thus based on this categorization, stakeholder strategy can be devised in running the project. (Murdock, 2004).

a) It can be used either in positive or negative way.

		USE OF POWER	
		Negative:	Positive:
POWER	Low:	Only a threat in alliance	High alliance potential
	High:	Change blocker	Key change agent

b) Also the stakeholder can exercise the power directly or indirectly.

		USE OF POWER	
		Indirect:	Direct:
POWER	Low:	Whispering campaign	“In your face tactic”
	High:	“Behind the throne influence”	“Agenda setter”

c) Also the stakeholder can exercise the power alone or in alliance with other stakeholders.

		USE OF POWER	
		In Alliance:	Alone:
POWER	Low:	“Potential surprise”	“ Ineffective protest”
	High:	Highly effective	“Big hitter”

### 5.8. Interest-Attitude to issue Stakeholder Matrix

This stakeholder matrix stems from the predictable nature of the stakeholder in relation to a particular issue. It to some extent depends on the knowledge and past experience of the project team with the stakeholder as it is easy to predict a long associated stakeholder than a strange one. And the kind of stakeholder strategy to be used to handle the categorized stakeholder is mentioned in the matrix below (Murdock, 2004).

		ATTITUDE TO ISSUE	
		Favorable:	Opposed:
INDIVIDUAL INTEREST	Predictable:	Nurture as ally	“Disarm” or win over
	Unpredictable:	Need to assess... and persuade	Need to consult

### 5.9. Interest-Nature of Interest Stakeholder Matrix

Every stakeholder will have some **specific** objectives or interest in the activities of the project. And those issues could be touch point to them who otherwise might be very passive. And some stakeholders may have very **broad** acceptance and interest to the project. So the nature of interest could be very specific or generic. So the below matrix represents this categorization and the kind of stakeholder strategy appropriate within this categorization (Murdock, 2004).

		NATURE OF INTEREST	
		Specific:	General:
INDIVIDUAL INTEREST	Favorable:	Issue based support	Ally
	Opposed:	Issue based opposition	Opponent

### 5.10. Potential-Power Stakeholder Matrix

This stakeholder matrix given below characterize stakeholders based on their **potential** for the objective to be achieved and their **power** to achieve the target. This kind of matrix very useful when we have trusted stakeholders, who are to be used to achieve a certain project objective like in case of some park conservation project. And the kind of strategy to be used is mentioned in the matrix (Lopez, 2001).

		High	Stakeholder power	Low
Stakeholder Potential	High	Coalition	Empowerment	
	Low	Marginalization or Involvement	Conversion	

### 5.11. Impact-Probability Stakeholder Matrix

The Power-Interest Stakeholder matrix has been discussed previously. But measuring power and interest on a scale is very hard. And hence they are replaced by 'Impact by stakeholder on the project' and 'Probability of the impact' respectively to get the comprehensive Impact-Probability stakeholder matrix (S Ward, 2003).

Level of impact	Keep satisfied	Key players
	Minimal effort	Keep informed
	Probability of impact	

**5.12. Power/Dynamism/Level of Interest Stakeholder Matrix**

This is just a combination of Power/Interest matrix and Power/Predictability matrix. This kind of combination is very useful for some specific projects where these stakeholder attribute sand behaviours play pivotal role in the project success (Garavan, 1995).

		Predictability		Level of interest	
		High	Low	Low	High
Power	Low	A. Few problems	B. Unpredictable but manageable	E. Minimal effort	F. Keep informed
	High	C. Powerful but predictable	D. Greatest danger or opportunity	G. Keep satisfied	H. Key players

**5.13. Stakeholder Salience Model**

And let’s analyse in detail, the popular contemporary **Stakeholder Salience model**. With the purpose of identifying and categorizing stakeholder importance, Mitchell (1997) researched manager perceptions of stakeholder characteristics and their **salience** as regards the factors of **power, legitimacy and urgency**. He chose these three attributes as managers simply cannot take into consideration all the demands, real and potential, and which correspondingly set out a series of priorities for managerial attention.

The ultimate aim for doing stakeholder management practice is manage either of the views.

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- **System-centered:** To participate in a fair balancing of different interests and claims within the social system of the firm.
- **Firm-centered:** For purposes of economic well-being, survival, controlling damage, "doing in" the competition, winning friends and influencing public policy, taking advantage of opportunities, coalition building and so forth.

In-order to properly classify stakeholders we have to mark the clear boundaries of two attributes that are required to identify a stakeholder: (1) Claim & (2) Ability to influence a firm. **Influencers** have **power** to influence the firm, whether or not they have valid claims or any claims at all and whether or not they wish to press their claims. **Claimants** may possess **legitimate** claims or illegitimate ones, and they may or may not have any power to influence the firm. **Power and legitimacy are completely different**, sometimes slightly overlapping attributes, and each **can exist independently without the other**.

### Criticality of Power, Legitimacy & Urgency

Table 13 Why power, legitimacy & urgency

Attributes	Why crucial?
Power	<b>Central problem agency theory:</b> Principals can control the behavior of their agents to accomplish their, rather than the agent's, interest. So managers are anticipated to attend to stakeholders who have the power to reward and/or penalize them.
	<b>Resource dependency theory:</b> Power comes to those who manage resources required by the firm, creating power differentials among stakeholders.
	<b>Transaction cost theory:</b> Power accruing to economic actors with small numbers bargaining advantages will influence the nature governance and structure of the firm. Thus costs of hierarchy are lower than the transaction costs of market failure.
Legitimacy	<b>Institutional theory:</b> "Illegitimacy" results in pressures on firms that function outside of accepted norms
	<b>Population Ecology theory:</b> Lack of legitimacy would result in organizational mortality
Urgency	<b>Agency theory &amp; Transaction cost theory:</b> Contribution to cost
	<b>Behavioral theory:</b> consequence of unmet "aspirations."
	<b>Institutional &amp; Resource dependency &amp; Population Ecology theory:</b> In terms of outside pressures on the firm.

But none of the above attributes by itself pronounce **salience** and creates gap in the stakeholder management. When stakeholder theory focuses only on

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- **Legitimacy:** It acquires the fuzzy moral flavor of social responsibility.
- **Power:** yields immorality and self-interested pursuit
- **Urgency,** though **merit managerial attention** doesn't have impact without power. But urgency adds a **catalytic component** to a theory of stakeholder identification.
- **Thus** there is a necessity to assess stakeholder-manager relationships properly and consistently, both **actual and potential**, in terms of the **relative presence or absence** of all or some of the dimensions: power, legitimacy, and/or urgency.

### Key constructs in Stakeholder salience theory

Table 14 Key constructs in Stakeholder salience theory

Construct	Definition	
<b>Stakeholder</b>	Any group or individual who can influence or is influenced by the accomplishment of the objectives of the firm	<b>Bases</b>
<b>Salience</b>	The extent to which managers give importance to competing claims of the stakeholder	
<b>Power</b>	A relationship among social actors in which one social actor, X, can get another social actor, Y, to do something that X would not have otherwise done	Coercive-force/threat Utilitarian-material/incentives Normative-symbolic influences
<b>Legitimacy</b>	A generalized view or assumption that the actions of an entity are proper, appropriate or desirable within some socially accepted system of beliefs, norms, values, definitions	Individual, Organizational Societal
<b>Urgency</b>	The extent to which stakeholder claims necessitate for immediate attention	Time sensitivity Criticality

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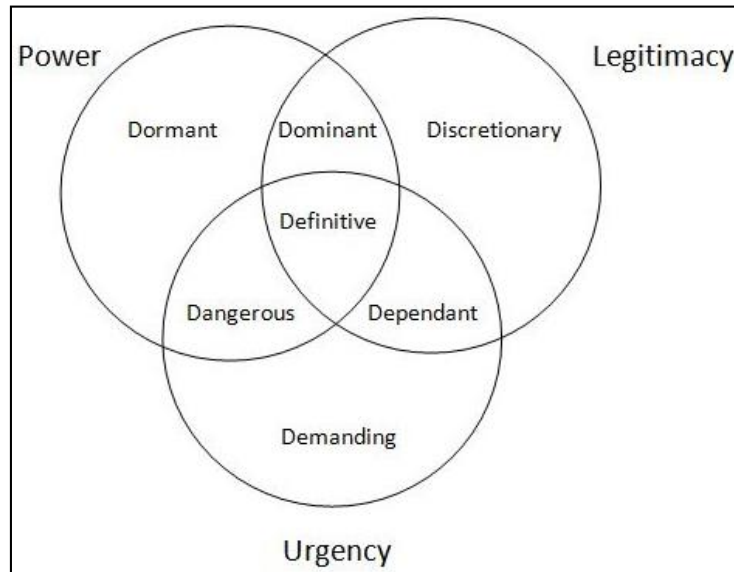


Figure 13 Mitchell's Stakeholder salience model

### Stakeholder classification as per Stakeholder salience model

Table 15 Stakeholder classification as per Stakeholder salience model

STAKEHOLDER TYPE	CLASSIFICATION OPTIONS
Latent stakeholders (in possession of only one attribute, receiving very little company attention)	<b>Dormant stakeholder:</b> Groups and individuals with the power to enforce their wills on the firm but lack either legitimacy or urgency. (monitor him)
	<b>Discretionary stakeholder:</b> Groups and individuals with legitimacy but that lack both the power to impact the company and any urgency. (attention under CSR framework)
	<b>Demanding stakeholder:</b> When the stakeholder possess urgency as the crucial attribute. Without power or legitimacy, they do not demand greatly of the firm (monitor him)
Expectant stakeholders (having of two attributes)	<b>Dominant stakeholder:</b> Groups and individuals that hold influence over the firm with by power and legitimacy. (receives lot of attention)
	<b>Dangerous stakeholder:</b> When there is power and urgency but without legitimacy. (threat)
	<b>Dependent stakeholder:</b> Groups and

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	individuals that possess urgency and legitimacy but which however depend on another stakeholder for their claims to be considered
<b>Definitive stakeholder</b> (holds power, legitimacy and urgency)	Instant attention and prioritization to be given to this stakeholder
<b>Non-stakeholder</b> (when groups and individuals neither hold any influence nor are influenced by organization operations)	

### Analysis of Stakeholder Salience model

#### Advantages

- **Dynamic** model which could make predictions as to how stakeholders may change from one category to another. (Raposo, 2012)
- Also stakeholder's salience is of **transient nature** i.e., is not permanent, and determined through the eyes of the decision-maker. They react at different times in accordance with their stakes at risk. Also decision-makers give different levels of priority to the different stakeholder groups. (Magness, 2008).
- But (Baskerville-Morley, R, 2004) suggests that, while legitimacy and power may fluctuate, **urgency attributes a chronological dimension** that sticks an event of potential interest to a specific point in time. The classic case of transience and time pressure is the Exxon Valdez case. The citizens of Alaska had no power to push the management to consider their welfare & benefits when their livelihoods were ruined by the Exxon Valdez oil spill. The state of affairs in 1989 was an urgent call for attention, and when the government jumped in to act as a protector for the communities (and for the ecosystem), the missing attribute (power, in this case) empowered these communities and the ecosystem into the definitive stakeholder (Mitchell, 1997).
- **Political** and practically **operational** model, qualifying the stakeholders

#### Disadvantages

- The variables power, legitimacy and urgency are **binary** without sub-categorization (either you possess or you do not possess power, legitimacy or urgency). Stakeholder with medium and high power are considered same as it could only be binary
- We don't have **scale** for variables and hence stakeholder with minimum of power, legitimacy and urgency should be coined a definitive stakeholder.
- Another limitation is the **no rationale** considered to the various stakeholders falling into the same category. Where various stakeholders are perceived as definitive, there is little means of differentiating and prioritising between them.

- These limitations are mainly due to the **lack of a scale** determining whether or not a stakeholder effectively does have power and/or legitimacy and/or urgency. This seems to be the main drawback to the stakeholder salience model.

Also the stakeholder relationship as described above seems to have restrictions into **three main areas**: the **relevance**, the **dynamic** and the **emergence** of stakeholder analysis and engagement, as the nature, roles, and relations between stakeholders **co-evolve** with the project's definition and trajectory over time.

Despite rich and strong basis for **identifying, classifying, and categorising** stakeholders as well as understanding their behaviour to manage them, various researches call for improvements in these approaches, as they do not provide **methods and tools** with which to identify all stakeholders and their interests (Yang J S. G., 2009a), (Yang J S. G., 2009b). So **what, when and how to observe** in stakeholder project networks **are very crucial** for the successful project management (Stephanie Missonier, 2014).

There is a necessity for improved descriptions of how project organizations manage their relationships with stakeholders over time, i.e. **longitudinal analyses** (Parmar, 2010). Till date, the majority of projects do not consider stakeholder management as a **dynamic and on-going process**. Stakeholder analysis is **not only a front-end, but also a complex longitudinal process** (P Eskerod, 2014).

Also there has been **co-evolution** of the identity of stakeholder and emergent nature of stakeholder network in the project **over the time**. This is less focussed in the studies done so far, which have to be given attention (Bourne L, 2005). This is mainly because project organizations don't respond to each stakeholder individually in a vacuum of dyadic ties; instead, they respond to the "**interaction of innumerable and diverse influences** from the entire set of stakeholder". Accordingly, the analysis should integrate the **complex interlacing arrangement of multiple and mutually dependent relationships** in stakeholder environments. Thus stakeholder theory shifted its focus from **dyadic** perspective to a **relational perspective** based on a network perspective (Rowley, 1997).

### 5.14. Stakeholder Circle Methodology

The Stakeholder Circle methodology is a **five step** approach based on the idea that organization's successful implementation of its critical activities that aligned to business strategies and **goals** (often projects) relies on the **engagement** and **involvement** of the stakeholder community. By distinguishing existing stakeholders and potential stakeholders, **uncertainty** about which stakeholders are critical at any specific time and how **best to handle** the existing relationships will be better

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understood, while assuring that planning for future potential relationships is handled effectively.

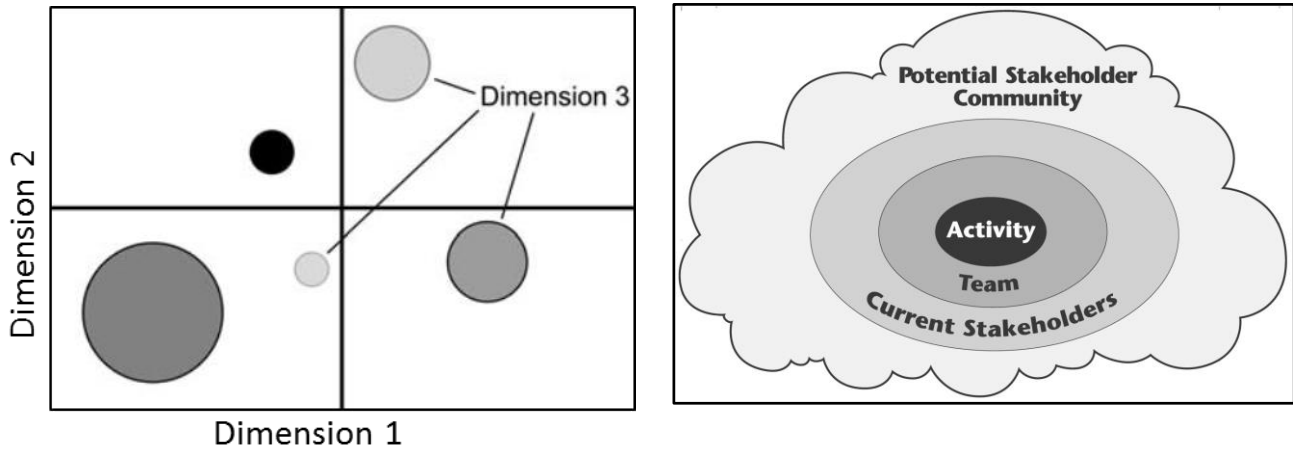


Figure 14: Traditional Mapping vs Circle of Stakeholders (Bourne, 2005)

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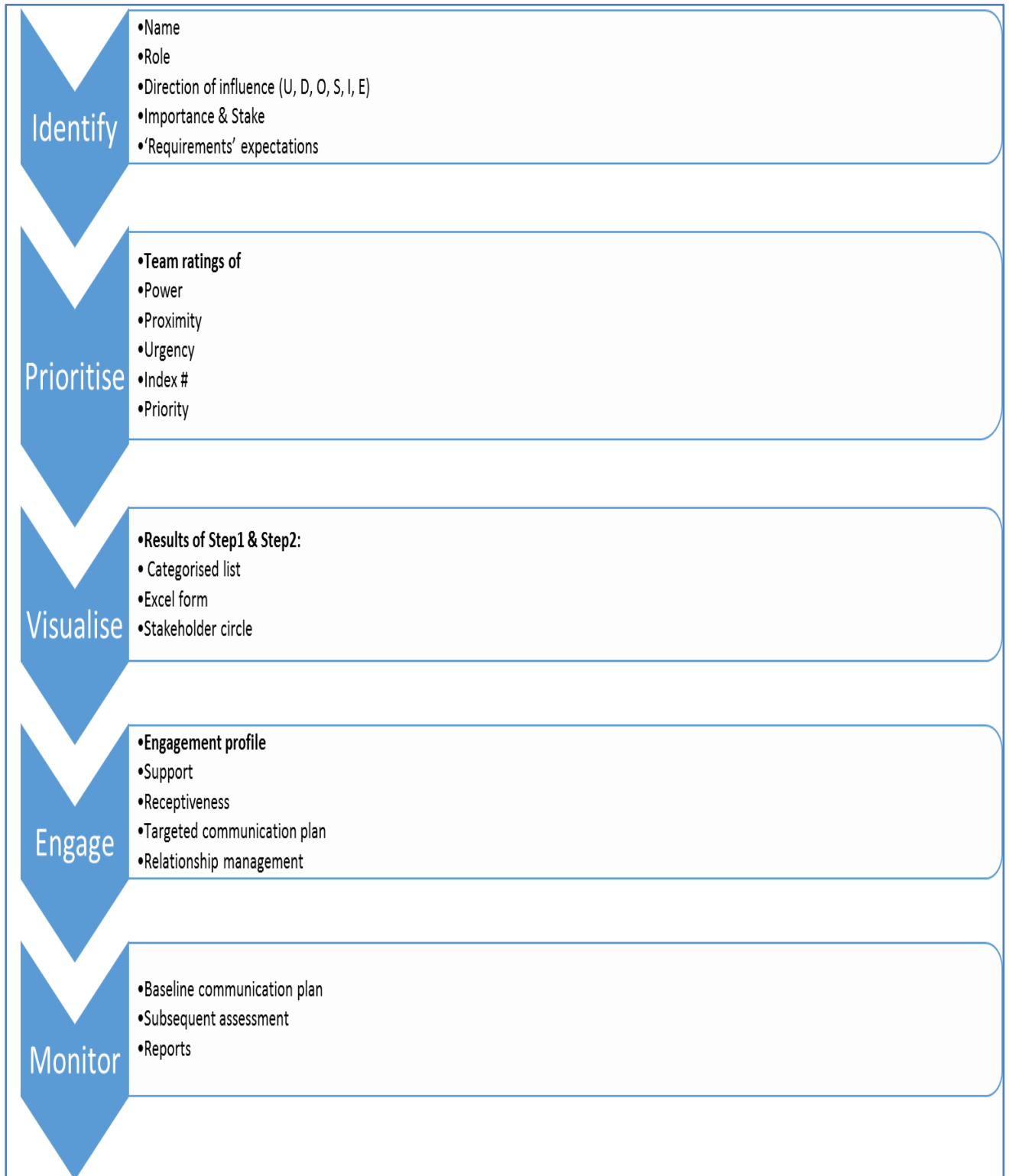


Figure 15: Summary of stakeholder circle methodology

### Step 1: identify

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It consists of three activities:

1. Identifying a **list** of stakeholders;
2. Defining **mutuality**:
  - a. How each stakeholder is **crucial** to the project work; and
  - b. What each stakeholder **anticipates** from success (or failure) of the project
3. **Categorise**: document each stakeholder's:
  - a. Influence **Category**: these are (i) upwards, downwards, outwards, and sideways
  - b. **Relationship** to the organisation - whether they are internal to the organisation or external.

We get a comprehensive list of stakeholders from this step 1.



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**Table 16: Stakeholder's stake**

The 'stake': can be one of the examples below or a combination:	
<b>Interest</b>	A person or group of persons is influenced by a decision related to the project or its outcomes:
<b>Rights</b>	To be treated in a certain way or to have a particular right protected: <ul style="list-style-type: none"> <li>• Legal: <ul style="list-style-type: none"> <li>o Occupational Health and Safety</li> <li>o Privacy</li> </ul> </li> <li>• Moral: <ul style="list-style-type: none"> <li>o Heritage protection activists</li> <li>o Environmentalists</li> </ul> </li> </ul>
<b>Ownership</b>	A circumstance when a person or group of persons has a legal entitlement to an asset or a property:
<b>Knowledge</b>	Specialist knowledge or organisational knowledge
<b>Impact or influence</b>	<ul style="list-style-type: none"> <li>• Influenced by the work or its outcomes: <ul style="list-style-type: none"> <li>o employees, clients</li> <li>o Shareholders</li> </ul> </li> <li>• Impact (or influence) on the work or its outcomes: <ul style="list-style-type: none"> <li>o Sponsor</li> <li>o Governments (legislation, regulation)</li> <li>o Public</li> </ul> </li> </ul>
<b>Contribution</b>	<ul style="list-style-type: none"> <li>• resources Supply: People, material</li> <li>• Allocation of funds</li> <li>• Advocacy for objectives or work success</li> <li>• Buffer between organisation and work teams or the performance of the work</li> </ul>

**Table 17: Summary of the stakeholder's directions of influence**

Directions of Influence	Stakeholders (areas of interest)
<b>Upwards</b>	Senior management: project sponsor, senior executives, those who represent organisational commitment
<b>Downwards</b>	Team members
<b>Outwards</b>	Outside the team: suppliers, shareholders, customers, JV partner(s), unions, 'the public', government
<b>Sideways</b>	Peers of the manager or the team
<b>Internal</b>	Stakeholders internal to the organisation
<b>External</b>	Stakeholders external to the organisation

## EXPLORING STAKEHOLDER MANAGEMENT IN CHANGING PROJECT ENVIRONMENT

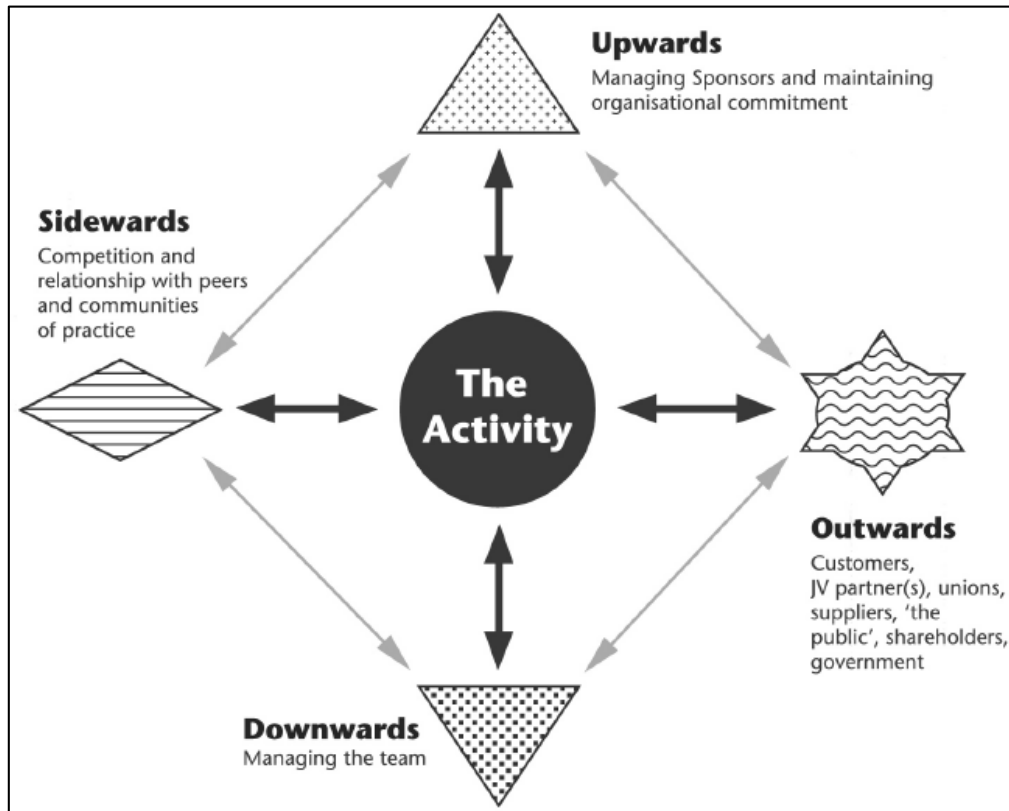


Figure 17: Influence categories

### Step 2: Prioritise

In the Stakeholder Circle methodology next step is to rank the stakeholders based on their relative importance to the project at any specific time in the project. The ratings are based on three factors:

- Power - Power to kill the project;
- Proximity- Closeness to the project;
- Urgency – how important is the project to the stakeholder and how prepared are they to act to accomplish their own results (positive or negative). Urgency by itself is hard to rate and should be rated as a mix of action and value.
- **Index number:** It is computed for each project stakeholder from the four sets of ratings developed by the project team. Calculations are integral in the Stakeholder Circle software; however, for a paper-based use of the methodology, the arithmetic summation of all four ratings will be adequate. After calculation of index number, the list can be assorted, with the stakeholder with the highest index number being rated as the most significant, the second highest next most significant and so on. It is then possible to sort the pages in order from highest number to lowest, thus exhibiting which stakeholders have more relative importance than others.

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Table 18: Ratings for Power, Proximity, Action & Values

Ratings for power and proximity	
<b>Power</b>	4. High capacity 3. Some capacity 2. Significant informal capacity 1. Relatively low levels of power:
<b>Proximity</b>	4. Directly involved in the work 3. Routinely involved in the work 2. Detached from the work but has regular contact with, work processes 1. Relatively remote from the work: does not have direct involvement with processes
Ratings for urgency	
<b>Value:</b> How much 'stake' does the person have in the project or its outcomes?	5. Very high 4. High 3. Medium 2. Low 1. Very low
<b>Action:</b> A measure of the possibility that the stakeholder will take action, positive or negative, to impact the work or its outcomes	5. Very high 4. High 3. Medium 2. Low 1. Very low

### Step 3: Visualise

Mapping complex data

The aim of stakeholder mapping is to:

- Develop a practicable list of current stakeholders;
- Examine some of their critical characteristics;
- Deliver information for team planning to ensure effective stakeholder engagement;
- Minimize subjectivity;
- Make the assessment process clear;
- Transform the complicated data collected about the stakeholders into a simplistic, understandable format;
- Provide a sound basis for discussion and analytical thinking.

## EXPLORING STAKEHOLDER MANAGEMENT IN CHANGING PROJECT ENVIRONMENT

**Key elements** of the Stakeholder Circle are:

- **Concentric circles** measures the **distance** of stakeholders from the work of the activity or project
- The **radial depth** of the segment represents the stakeholder's degree of **power**;
- The **size of the block** symbolized by its relative length on the outer perimeter, represent the scale and scope of **influence** of the stakeholder;

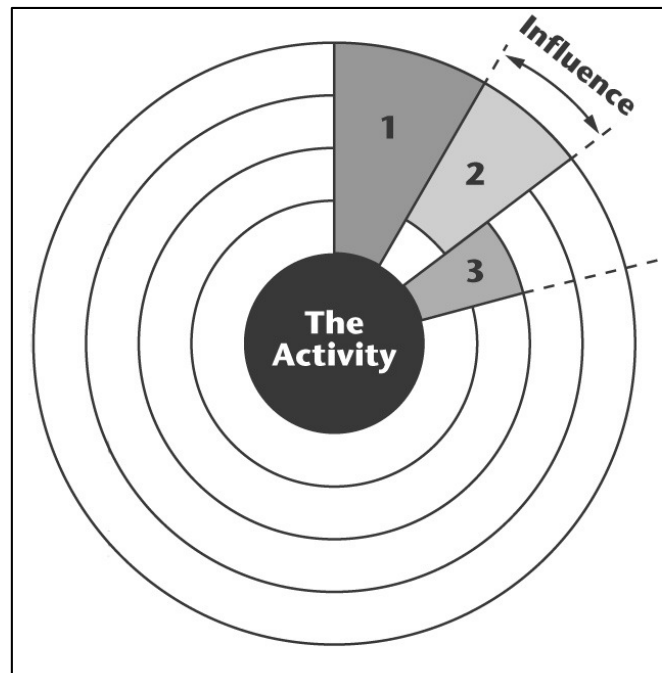


Figure 18: Power, Proximity & Influence in Stakeholder circle

Differentiation	Attribute
Orange	Upwards
Green	Downwards
Purple	Side-wards
Blue	Outwards
Internal	Dark hues & pattern
External	Light hues & pattern

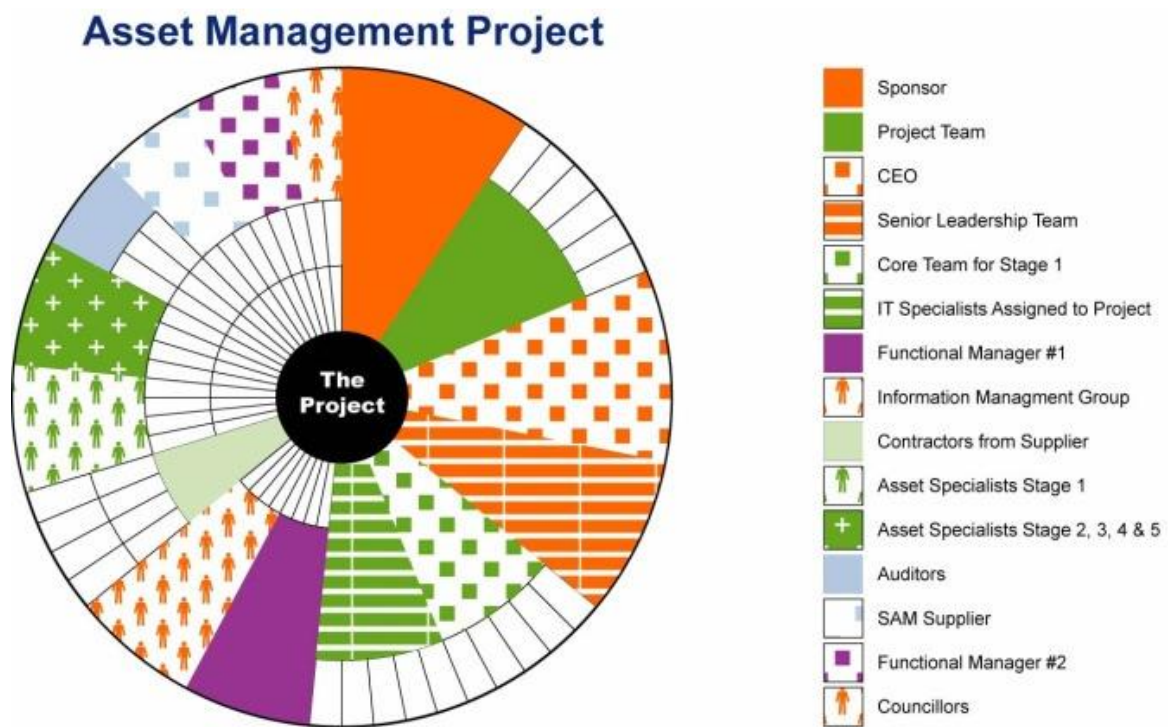


Figure 19: Example of stakeholder mapping

**Step 4: Engage**

It includes the steps involved in identifying engagement approaches custom-made to the anticipations and needs of the individuals or groups identified and classified in the last three steps of the methodology. Formulating stakeholder engagement profiles makes up the last step in information collection, which helps to chart specific communication plans for effective stakeholder management.

This is done by:

- Measuring the **actual** attitude – level of receptiveness and support of stakeholders;
- Defining the **target** attitude – level of receptiveness and support of stakeholders.

Ratings for support and receptiveness	
<b>Support</b> for the project or its results.	5. Active support 4. Passive support 3. Neutral 2. Passive opposition 1. Active opposition
<b>Receptiveness</b> to messages or messengers about the project or its results.	5. High 4. Medium 3. Ambivalent 2. Not interested

	1. Completely uninterested
--	----------------------------

The result is displayed in the form of a matrix which equates the current and target attitude of any specific project stakeholder. The first of these matrices will act as a **baseline for assessing the effectivity of planned communication** to involve a stakeholder.

The rationale for an effective communication plan is prescribed for each stakeholder:

- The **aim** of the communication: what do the team have to accomplish through the communication
- The **most suitable** information: most powerful message format and delivery mode
- **Directed** to fulfil the anticipations and requisites of the project stakeholder and the ability and potentiality of the team;

The communication plan must have the following:

- **Mutuality:**
  - How the stakeholder is important for the project activity;
  - The stakeholder's stake and anticipations;
- **Classification** of influence (upwards, downwards, outwards, sideways, internal and external);
- **Engagement profile** presented in graphical frame:
  - **Support level** for the project activity;
  - **Receptiveness level** to information about the project activity;
  - **Target engagement:** target levels of receptiveness and support;
- **Strategies** for delivering the message:
  - **What** the message would be: routine activity reports or special messages
  - **Who** will hand over the message
  - **When:** how often it will be handed over; and over what time frame
  - **How** it will be delivered: Official and/or unofficial, written and/or verbal; technology of communication – emails, written memos, meetings
  - **Why:** the aim for the communication: this is a function of mutuality – why the stakeholder is crucial for success of project activity, and what the stakeholder needs from the project activity are.
  - **Communication item:** the information that will be disseminated – the substance of the message or report

#### Factors to be looked at

- The **different degrees** of power or influence between the stakeholder and the team

## EXPLORING STAKEHOLDER MANAGEMENT IN CHANGING PROJECT ENVIRONMENT

- **function** of the project stakeholder
- **Reliability** of the messenger and the message
- The **relevancy** of the message passed unto the recipient
- The **structure and substance** of the message
- **Personal** reality
- **Cultural** divergences
- Personal **choices**
- Personal & environmental **distractions**.

### Step 5: Monitor

The process of monitoring the **effectiveness of communication** includes:

1. **Reassessment** of the stakeholder community to make sure that the membership is up to date – the **correct project stakeholders for the current phase or time**;
2. **Recap** of the stakeholder **engagement profile**.

Once the communication plan has been formulated, the strategy related to ‘what, who, when and how’ of delivering the drafted messages designed for the critical stakeholders should be transformed into action. Supervising the effectivity of the attempted communication, and furnishing necessary information for corrective measures if needed, is the last step in Stakeholder Circle methodology.

Whenever the **re-assessment** of stakeholder community is done and the engagement profile modified, any **alterations in the gap** between the current profile and the targeted profile should be looked at. This **shift** (or lack of motion) provides an **indication** of the effectivity of current communication plan in shaping the attitudes of critical stakeholders. The communication plan has to be **maintained** where it is found good and should be **amended** where it’s not showing any significant progress

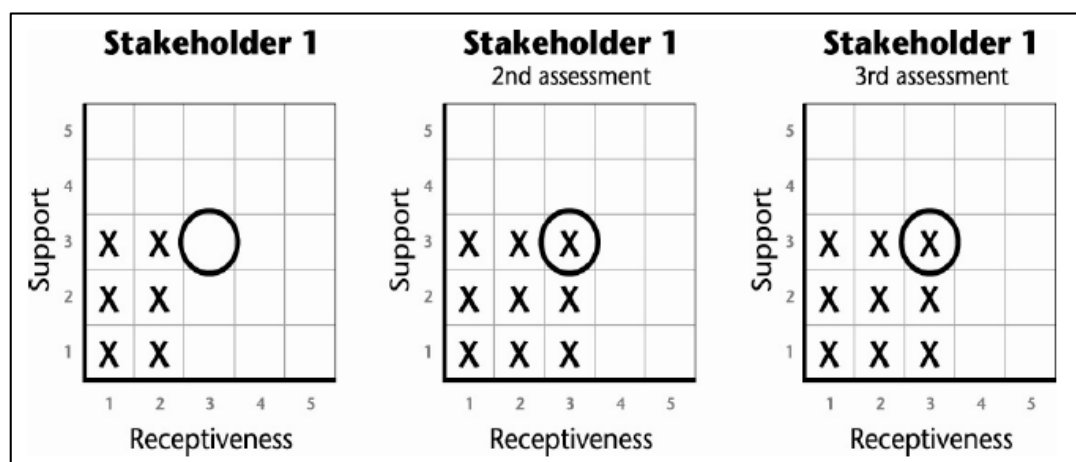


Figure 20: Measuring communication effectiveness

### Insights

## EXPLORING STAKEHOLDER MANAGEMENT IN CHANGING PROJECT ENVIRONMENT

There are two issues: firstly, requirements, needs and **attitudes** of the people **do not remain static for long** and secondly even if we are empathic or in very close relationship with the project stakeholders **it is very hard to understand** the subtle intentions of the **hearts and minds** of them.

When it comes to measuring **intangible** data it is always advisable to measure the **progress against the baseline** which is the first record or a kind of **trend analysis** rather than assessing the absolute nature of the data. The **measure of difference** which we get when comparing the current data against the baseline data would give us **healthy indication** of the course of the project variables.

<b>Gap between current profile and baseline</b>	<b>Actions</b>
Worsening gap	Strategy formulated for this stakeholder is <b>not having the expected effect</b> . So have to <b>change</b> the strategy
Improving gap	Strategy is <b>fitting</b> and <b>commended</b> to continue with same strategy

Also we need to be careful about the **external circumstances** which sometimes would **influence the gap**. In such cases we have to be careful about what is to be done with the practised strategy as it is **not the inherent cause** for the worsened or improved gap. And an important aspect of the Stakeholder Circle methodology is the **reiteration** of the processes at **assigned intervals** and the **reevaluation** of the project stakeholder community, mainly centred on **changes and trends**.

The nature of the project decisions reasoned by the project stakeholders are **subjective**. And in due course the people involves are **changing** and they have their own subjective inference. So the **objective analysis** which is untined by subjectivity fails to garner subjective attention of the project stakeholders. We need a transition where both the objective and subjective elements are **reinforced** to create a robust model that withstands the **test of time** and **turbulence** of project stakeholder environment

Data collection and reporting about project stakeholders needs to be **simple and flexible** in order to carry out effective stakeholder mapping. So these nuances are to be impregnated in the every step of the mapping methodologies to make it **user-friendly** and also **impactful** in its usage. It also need to have **optional increment in rigor** to tailor to the maturity of the organization. Stakeholder circle methodology, a five step process, helps in **monitoring** the effectiveness of **communication** and devising suitable **strategy** in order to manage the **stakeholder effectiveness** which in turn help in **accomplishing the project**.

## EXPLORING STAKEHOLDER MANAGEMENT IN CHANGING PROJECT ENVIRONMENT

The three components of stakeholder circle methodology that makes it effective are

- **identification and prioritisation** of all the manageable number of project's stakeholders
- **Support tools for** allocating relative importance of stakeholders swiftly and efficiently.
- Development of stakeholder **engagement strategy and communication plan** to effectively manage project stakeholders.

### 5.15. New Stakeholder Matrix

Based on the above study on various stakeholder matrix found in the literature, we find there are some very important attributes which characterize the stakeholder. So, it very important that we don't leave out critical attributes when devising stakeholder strategy to manage them. And four important attributes namely Power, Interest and Attitude are found more pronounced in the literature. And hence a new stakeholder matrix can be formed with these attributes to map the stakeholders.

- **Power:** Low / High
- **Interest:** Low / High
- **Attitude:** Positive / Negative

Example for filling the stakeholder matrix is given below:

Stakeholder	Power	Interest	Attitude	Remarks
1	High	High	Positive	Key players
.	Low	High	Negative	Can be annoying and ally with other negative stakeholders
.	High	Low	Negative	Very destructive when in action

Some of the strategies and methods to address the stakeholders are given below.

Power	Interest	Attitude	Remarks
High	High	Positive	Key players
Low	High	Negative	Can be annoying and ally with other negative stakeholders
High	Low	Negative	Very destructive when in action
Low	Low	Positive	Have acquaintance
Low	Low	Negative	He can ally with negative stakeholders
Low	High	Positive	Get help or support
High	Low	Positive	Powerful player but passive
High	High	Negative	Can be disruptor in troubled times
High	High	Positive	Can be rescuer in troubled times

Thus this model tries to embed major stakeholder variables and could serve as a better model for analysing stakeholders and to device stakeholder strategy.

### 6. STAKEHOLDER MANAGEMENT AND OTHER PMBOK AREAS

Project Management includes several activities that are to be synchronized and executed in order to complete the project successfully. The project stakeholders play a very significant role in accomplishing the project successfully. And the action of stakeholders has a very profound impact on the project itself. So procuring the contributions of various stakeholders is very important for healthy project management (Karlsen J. T., 2002). On the other hand there is a trade-off between the efficiency of project organization and satisfying interests of stakeholders. So stakeholder management is also crucial for running efficient corporation overall (Vartiainen, 2012).

Researches on big public infrastructural projects have shown that **project success** is now dependent on the **perception and satisfaction of the stakeholders** than mere conventional iron triangle (cost, quality, time) (Toor, 2010). The stakeholder management must evolve into a more **formal and accountable process**, and must be in line with the project execution (Hamid Aladpoosh, 2012).

But in literature doesn't have a common thread on the kind of relationship between stakeholder management and other Project Management Book of Knowledge areas namely Integration Management, Scope Management, Time Management, Cost Management, Quality Management, Human Resource Management, Communications Management, Risk Management and Procurement Management. And what is the relationship between stakeholder management and other PMBOK areas? Let us analyse what these PMBOK areas are and what is their relation with Stakeholder Management.

According to PMI, stakeholder management includes all the processes that help to find, categorize and manage stakeholders, who are people who can influence or get influenced by the project and its outcome. It also capsules devising appropriate stakeholder strategy, handling conflicts, effective communication and keep them engaged for accomplishing project objectives. It is mainly in the hands of project manager to make it possible in more conducive way that it benefits all the stakeholder of the project effectively and efficiently. It includes the following processes: Identify Stakeholders, Plan Stakeholder Management, Manage Stakeholder Engagement and Control Stakeholder Engagement.

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Knowledge Areas	Project Management Process Groups				
	Initiating	Planning	Executing	Monitoring & control	Closing
<b>Project Integration Management</b>	Develop Project Charter	Develop Project Management Plan	Direct and Manage Project Work	Monitor and Control Project Work Perform Integrated Change Control	Close Project or Phase
<b>Project Scope Management</b>		Plan Scope Management Collect Requirements Define Scope Create WBS		Validate Scope Control Scope	
<b>Project Time Management</b>		Plan Schedule Management Define Activities Sequence Activities Estimate Activity Resources Estimate Activity Durations Develop Schedule		Control Schedule	
<b>Project Cost Management</b>		Plan Cost Management Estimate Costs Determine Budget		Control Costs	
<b>Project Quality Management</b>		Plan Quality Management	Perform Quality Assurance	Control Quality	
<b>Project Human Resource Management</b>		Plan Human Resource Management	Acquire Project Team Develop Project Team Manage Project Team		
<b>Project Communications Management</b>		Plan Communications Management	Manage Communications	Control Communications	
<b>Project Risk Management</b>		Plan Risk Management Identify Risks Perform Qualitative Risk Analysis Perform Quantitative Risk Analysis Plan Risk Responses	Control Risks		
<b>Project Procurement Management</b>		Plan Procurement Management	Conduct Procurements	Control Procurements	Close Procurements
<b>Project Stakeholder Management</b>	Identify Stakeholders	Plan Stakeholder Management	Manage Stakeholder Engagement	Control Stakeholder Engagement	

### 6.1. Project Scope Management

This PMBOK area includes various processes that are required to define and ensure that the project management capsules all the work and not anything else to complete the project successfully without missing out any piece of work included in the scope. It includes Plan Scope Management, Collect Requirements, Define Scope, Create WBS, Validate Scope and Control Scope.

It is very often noted that failure to clearly articulate the needs and anticipations of stakeholders within the project scope at an early stage has been a key reason for project failure. Also different stakeholders have different perspectives and interpretations on the project output and this would push or pull the scope boundaries to different interpretations. Hence stakeholder management have much greater influence on the proper scope management (Midgley, 2006).

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There is lack of information, trade-offs, vagueness in objectives and agendas shared among different stakeholders which makes it difficult to delimit the project scope and resulting in lot of uncertainties. We need better ways to capture these uncertainties and arrive at beneficial grounds for all stakeholders by accomplishing project goals (Roger Atkinson, 2006).

Also there is a perception gap present among stakeholders which results in different reading of the requirement and resulting in uncertainties of project objectives (James J. Jianga, 2009).

### **6.2. Project Time Management**

This PMBOK area covers all the essential processes which are important to ensure that project is completed within time and also progress timely and uniformly and corrective measures if not, throughout the project life cycle. It includes Plan Schedule Management, Define Activities, Sequence Activities, Estimate Activity Resources, Estimate Activity Durations, Develop Schedule and Control Schedule. It includes Develop Project Charter, Develop Project Management Plan, Direct and Manage Project Work, Monitor and Control Project Work, Perform Integrated Change Control and Close Project or Phase

There have been several occasions in the past where projects have failed to deliver in time due to several reasons like technological uncertainty, project scope changes and inadequate planning but one of the critical factors have been ignored stakeholder management. Many IT projects have failed due to improper stakeholder management like ego state between two stakeholders. Sometimes even failing to identify one of the stakeholder has resulted such delays and failure. Also this kind of delay will create a bad image about the project in the stakeholder mind (Leonardo Lopes, 2013).

Also effective stakeholder management can help in protecting the project interest and helps in mitigating negative image about the project, prevent losses, political unrest and disputes, thereby ensuring timely completion of the project (McManus, 2011).

### **6.3. Project Integration Management**

This PMBOK area includes processes that synchronize various processes and activities across the Project Management Group. This PMBOK areas includes many critical discrete process which bridge every other PMBOK area and ensure that a common thread is maintained throughout the project life cycle. It also manages various trade-offs, competing objectives, interdependencies and selection of best alternatives sourcing among the PMBOK areas. So this acts as pivotal and bridging component in project management among different PMBOK areas.

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When stakeholder concept is ingrained in the decision making process better outcomes are achieved. Though there are some dilemmas regarding the scientific and technical validity being obscured by the political nature of stakeholder concept, it is evident that it improves the quality of decision making (Thomas.C.Beierle, 2002).

All the trade-offs, competing objectives, interdependencies and vagueness in project objectives and makes it very difficult to collate them. It mainly stems from conflicting perspective of different stakeholders (Roger Atkinson, 2006). Though these issues are handled in integration management, they are very much rooted in stakeholder management. Thus managing stakeholders properly can go in tandem with the project integration management and leverage it.

### 6.4. Project Cost Management

This PMBOK area covers all the processes which ensures that project costing is planned, controlled and dispensed in most authentic, efficient and effective way throughout the project life cycle. And different stakeholders account costing with different practices at various times. For e.g. the cost might be realized when the order is placed or when the item is delivered or even after agreed payment period. It includes Plan Cost Management, Estimate Costs, Determine Budget and Control Costs.

Managing stakeholders is very critical in order to finish the project within the cost constraint and to avoid cost overruns. A negative attitude from stakeholders towards the project can be very costly. The conflicts, controversies and contradictions among the project stakeholders can result in inaccurate estimates, project escalations cost overruns (Landin.A, 2005).

And cost and time are related terms as it is seen that overdue and prolonged projects have incurred more cost and disrupted the project cost benefit even though the project was carried out completely (Patrick. X.W. Zou, 2009). Also failure to identify the key project influencers can result in budget overrun and time delay (PMBOK, 2008).

### 6.5. Project Quality Management

This PMBOK area capsules all the processes that are responsible for ensuring project is carried out within the boundaries of quality parameters agreed among key stakeholders. The quality policies, procedures and quality measures specific for specific work deliverables are determined, controlled, and validated in order to prevent and mitigate quality related issues. It includes Plan Quality Management, Perform Quality Assurance and Control Quality.

It is often noted that many stakeholders of the project create problems in the project that pivots around conflicts in agreed quality of project outcome and deliverables. Some stakeholders have conflicting quality measures which has to be

arbitrated to freeze the scope. And such uncertainties have resulted lot of problems in successful delivery of the project (Muhammad Nabeel Mirza, 2013).

And there is a trade-off between cost, time and quality that have different levels of effect for different stakeholders. So it means what is acceptable for one stakeholder might not be acceptable for another stakeholder who has slightly varied cost, quality, and time trade-offs. Thus making effecting stakeholder management will play an important role in getting stakes on the ground to achieve expected project quality (Stephen Ward, 2003).

### **6.6. Project Human Resource Management**

This PMBOK area includes all the process that are required to plan, prepare, manage and lead a project team. The project team members have to assigned proper roles and responsibilities based on their skill set and in alignment with the project objectives. It includes Plan Human Resource Management, Acquire Project Team, Develop Project Team and Manage Project Team.

As the project is a temporary endeavour we see unusual, dynamic and overloaded work atmosphere which at sometimes could be challenging worker well-being and work ethics. These challenges are very common in projects and these stakeholders are to be given due diligence in a management support HRM realm where employee wellbeing are traded off with profit and project client satisfaction (Rodney Turner, 2008).

Also for the project firm to sustain in the market where competition is becoming intense and globalization is happening at rapid speed, the employees must be motivated and managed well like never before. Organization has to create a structure and management policy where employees get empowered to address the objectives set forth (Cummings & Oldham, 1997) (Parviz Ghoddousi, 2015).

Human resource management is seen as a competitive advantage for the project organization. And maintaining proper work hours and resource scheduling it possible to accomplish the project successfully. These are possible by having robust HRM practice (Li-Ren Yang, 2015). Also a strong HRM practice will ensure knowledge and competence transfer from current project to the future project (Sujinda Popaitoon, 2014).

Remembering that employees are one of the propelling stakeholders who help in realizing the project, it is imperative to manage them properly with HRM practices which creates a win-win situation. Thus there is tendency of convergence of human resource management with stakeholder management as they lapse at critical chords.

### 6.7. Project Communications Management

This PMBOK area ensures that all the **communications** happening among various stakeholders within the project environment take place in the most effective, efficient and compatible way as stakeholders may come from different **culture**, may have **organizational** values, different **technologies** in use, be at different **geographical** locations and may have **contradicting interests**. Setting up proper communication **channels** may resolve many issues and align the stakeholders towards the project goals to a greater extent. It includes Plan Communications Management, Manage Communications and Control Communications.

Stakeholder approach in establishing communication is a welcome trend as it can be used as a strategy and tactic. Also this type of communication helps to engage the stakeholders in a more effective and productive way to meet the objectives (Mary Welch, 2007).

The project communication today is becoming advanced as well as very complex and to deliver a successful project, project information has to be disseminated to different stakeholders in a more constructive way. And the stakeholders need to access these information from their platform in order to decide on the projects. And it is widely accepted that the participation of key stakeholders in communications using internet based technologies has been main driver for project success (Thorpe.T, 2001).

Also with rising CSR initiatives from companies, there has been a shift from just informing and responding to stakeholders to making them to involve in CSR activities. The need for robust and well-crafted communication management is in forefront in order to maintain proper stakeholder relationship in perspective. Thus stakeholder management is leveraged with the enabling communication channels (Schultz.M, 2006).

### 6.8. Project Procurement Management

This PMBOK areas includes all the process that are involved in acquiring or delivering project related product, services or results to or from project stakeholders either as a buyer or seller. It includes also contract management and change control management in executing all these project transactions. It includes Plan Procurement Management, Conduct Procurements, Control Procurements and Close Procurements.

When the critical stakeholders are not engaged on time during many procurement initiatives like specification of requirements, it has resulted in project supply failure (Pugh, 2005). Also we require buy-in of the project supply initiatives from several critical stakeholders. This could be achieved only by engaging them (Sharma, 2008) (Derek Walker, 2008). Also purchasing goes beyond just buying. A stakeholder based model in purchasing would provide greater relevance and helps to achieve greater benefit by understanding the demands of stakeholders (Kamann, 2007).

According to Hackett Group, managing stakeholders, especially difficult stakeholder types, will let procurement management to move forward with strategic initiatives by identifying each stakeholder's unique concerns/pain points.

Thus to have effective procurement management, the stakeholders involved have to be managed properly. Also a proper procurement planning is required to meet the requirements of stakeholders and it has to be aligned with the expectations of the stakeholders (Ezekiel Chinyio, 2010).

### **6.9. Project Risk Management**

Risk management is very important area in the project which has to be addressed properly. It involves all the processes which helps to identify, characterize, mitigate and control the risks and uncertainties in the project. Risk could be specific to a deliverable or overall project risk. So each of these has to be identified and managed. Also different stakeholders have different levels of appetite, tolerance and threshold regarding risk. All these have to be considered when devising risk management strategy. It includes Plan Risk Management, Identify Risks, Perform Qualitative Risk Analysis, Perform Quantitative Risk Analysis, Plan Risk Responses and Control Risks.

The project risk management processes that are to be planned by project team depends on the nature of the project stakeholders and the project environment in which they interact. The nature of such stakeholders to an extent depends on their capability, motivation and their responsiveness in managing risk. Thus managing stakeholders and the project risk management seems to be related and have impact on each other (Ward, 1999).

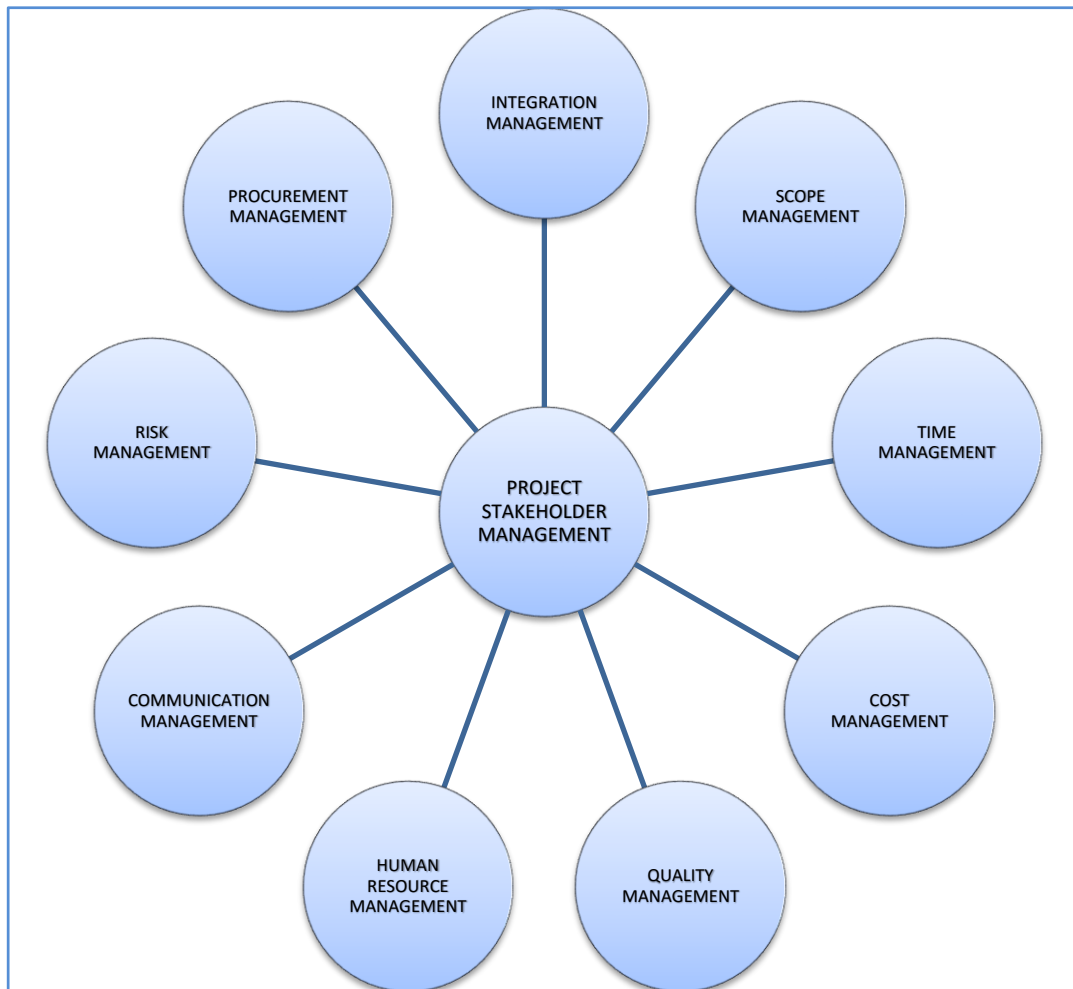
Many of the project risks are associated with uncertainties stemming from the stakeholders. It is noted that there is a very complex mesh of interwoven interests and influences by different stakeholders which unfold in unknown way dynamically over time. And to add each stakeholder has their own way of characterizing, reacting and managing the risks that unfold. Hence knowing better the nature of stakeholders helps in addressing these issues at impede the project success (David Hillson, 2007).

Stakeholder perspective on project could be a source of key potential risk and sometimes solution for the risk. Also there are many risks that are embedded in the project scope by different project stakeholders and hence how the project team manage these stakeholders is going to be a decisive factor for project success (Patrick. X.W. Zou, 2009). Also it is argued that uncertainty associated with the stakeholder interactions are given little importance in risk management (Chapman.C, 2008).

Thus we see that all the PMBOK areas is getting influenced by project stakeholder management. And to some extent it could be said that stakeholder

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management occupies central role in the realm of project management as most of the issues and solutions stem from this PMBOK area.



### 7. ISSUES IN STAKEHOLDER THEORY

Although it is not that hard to envisage a stakeholder focus in running a project, it is extremely difficult to put through such a focus.

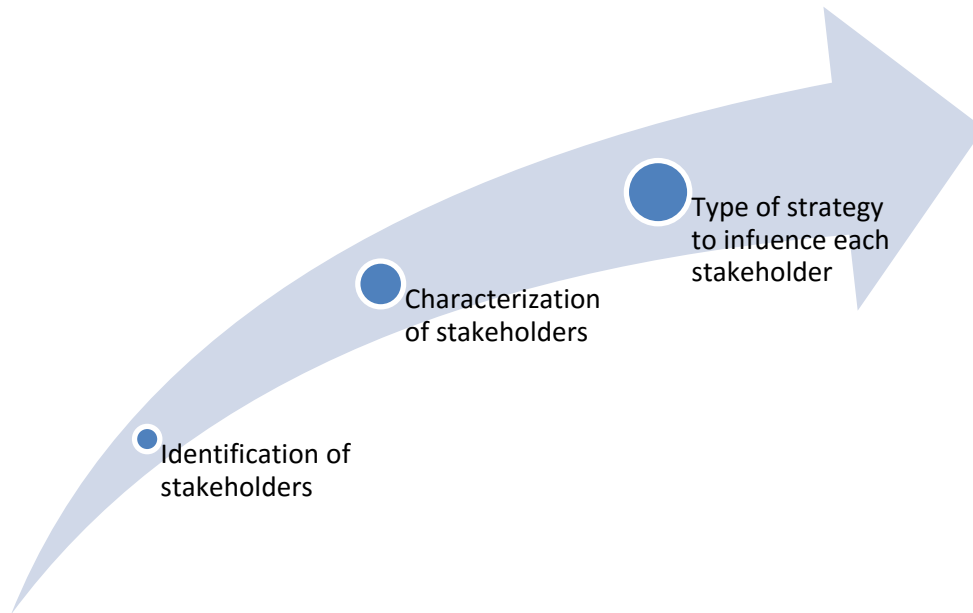


Figure 21 Steps in Stakeholder Analysis (Anna Lund Jepsen, 2009)

Stakeholder theory need to be more precise regarding (a) how to identify stakeholders and ascertain their importance and (b) how to discover stakeholders' anticipations. Also project managers may not have the skills or the resources required to manage tasks involved in carrying out the necessary inquiries. So the current guidelines should be conceived as a **conceptual framework rather than direction** on how to carry out a real world analysis of project stakeholders (Anna Lund Jepsen, 2009).

A crucial component of stakeholder management is **stakeholder analysis**. Proponents of stakeholder analysis reason that stakeholder analysis leverage the project manager's capability to anticipate issues and opportunities for the project (Andersen ES, 2004). But the literature **needs to come up with a practical technique** for factually identifying stakeholders (Pouloudi A, 1997).

It is known that project manager should make calculated efforts to exercise influence on stakeholders in order to get their contributions for the project (Achterkamp MC, 2008). Hence, identification of the stakeholders and their necessary contributions is central in stakeholder management. And project managers have **restricted resources** and should manage these resources effectively to fulfil the project goals (Eskerod.P, 2006).

So **there is a necessity for competent project managers** with excellent analytical and problem solving skills to identify and work with complex stakeholders to comprehend their anticipations and impact on the success of the project. By this process

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it is possible to **capitalize** the potential possibilities and **mitigate** the detrimental elements foreseen (Bourne L, 2005).

Another dilemma was **whether to include potential stakeholders** within the ambit. But some of the proponents of stakeholder theory like Starik, Clarkson, etc. hints to include latent stakeholders if it is to be both **exhaustive and useful**, because such identification can, at a minimum, help project organizations **avert problems** and perhaps even **enhance effectiveness**.

But we have **very few solid methods** to identify, characterize and to conceive a strategic decision about the stakeholders given in the above table. At times a generic stakeholder lists, brainstorming or asking others in the firm about them are the methods available (S.Calvert, 1995).

Again there is only **limited advice** concerning how to gather the data required to **qualify the stakeholders** as regards to commitment towards the project (Varvasovszky Z, 2000).

The **various challenges** experienced by Project Managers in stakeholder Analysis are listed below (Anna Lund Jepsen, 2009):

### **1. Identification of stakeholders**

- Troubles in deciding as to **when to treat individuals as a group** and when to treat them as individuals.
- **Impediments in drafting an exhaustive and precisely delimited list of stakeholders** for the entire project life cycle as stakeholders are expected to arrive and leave during the course of the project
- **Listing of complete stakeholder list may not be productive** as they are infinite in number.

### **2. Characterization of stakeholders**

#### 2a. Determining stakeholder`s contributions

- As it was hard to foresee events and developments that could occur during the entire project life cycle, it is **hard to come up with a precise list of required contributions at the start** of the project
- Contributions are not only deliverables but **includes engagement in group meetings and taking critical decisions**. And it is **hard to assess** these contributions ahead of time.
- **Moral dilemmas pertaining to explicitly colour-coding stakeholders** to be detrimental for the projects, especially when it came to singling out individuals.
- Stakeholder outline is very **confidential** documents. What if it could be seen by the **“wrong” people**, whether at the present time or in some distant future?

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### 2b. Determining stakeholder`s expectations & desired benefits

- It is **very hard to figure out benefits the project stakeholders would anticipate** or want by risking their stakes in the project and current guidelines do not suffice to make valid descriptions of stakeholder`s expectations.

### 2c. Determining power of each stakeholder

- Judging the power of the project stakeholders (none/low/medium/high) is based on **intuitive judgement** backed by knowledge about the stakeholders` formal and informal roles in the organization. This assessment is not challenging but intuitive and spelled by subjective **slender evidence**.

### **3. Strategy to influence each project stakeholder**

- **Troubles in predicting the interactions** with project stakeholders in the remote future.
- **The importance and contributions** of the stakeholders will **not remain same** throughout the project life cycle due to **dynamic and turbulent** nature of the project.

Thus current guidelines on stakeholder management has though unveiled many concepts and methods, is yet to fathom more practical aspects of stakeholder management. We need more insights and research in the possible ways to gather data and evidence for carrying out comprehensive stakeholder management.

## **8. CONCLUSION & FUTURE RESEARCH**

The failed projects **costs millions of dollars in revenue loss** and wasted resources which profoundly questions the effectiveness of project management. And many researches have shown that there is a **shift in paradigm** from just iron triangle to more complex stakeholder management to the essence. So the research has been attempted to address the **nuances, different dimensions & facet of stakeholder management** in the changing project environment and throw **practical insights** from the literature published.

### 1. What is the importance of stakeholder management in project management?

From the research it very clear that Project Management today is getting unbelievably complex and getting into DNA of every organization. The perception on Project Management is changing. There is a paradigm shift in the way the changes are taking place with ever increasing hardwiring and complexity. And clearly Project Management Practices are getting more robust and sophisticated to the extent that it tries to address these uncertainties, turbulence and shifts in values & conflicts. And stakeholder management plays a very pivotal role in project management. Studies have shown that stakeholder management is becoming central issue and deterministic factor in determining project success. It extends to such an extent that a project is called successful only if stakeholder perceive it that way. Now the

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projects have moved the topic beyond the traditional iron triangle and includes stakeholders' perception and satisfaction to define project success.

We also studied in detail taking reference from various research papers to define stakeholders and to understand their disposition, behaviour. We also gathered sufficient evidence on their needs, drivers, interests and contribution to the project. We also studied the changes in stakeholder management in changing project environment and various critical success factors for carrying out effective stakeholder management. We see it to be very complex and amalgamation of factors with deeper ramification spread across the entire project life cycle.

And we find that project stakeholder management play a very significant role in project management. It is hardwired in every other PMBOK area as answered in RQ.3. Hence stakeholder management is very critical PMBOK area influencing project management.

2. What are the optimum tools, methods and frameworks found in the literature regarding stakeholder management?

First we gathered various tools and approaches available for use in stakeholder management process. We identified, defined and pros and cons of these approaches and also mentioned like to use which tool in which section of the stakeholder management process. And finally the importance of project KPIs are discussed in the context of stakeholder management like how stakeholder confidence could be won throughout the project lifecycle by having suitable project dashboard. We also tried to analyse various stakeholder frameworks available in the literature and came up with a new enhanced stakeholder framework called Power-Interest-Attitude Matrix.

3. What is the relation between stakeholder management and other PMBOK areas?

We found that every PMBOK area has significant relationship with project stakeholder management. And having proper stakeholder management helps in managing others PMBOK areas effectively. Also we find that stakeholder management is quite central in managing the project and has a controlling thread throughout project life cycle and deeply hard-wired with other PMBOK areas.

4. What is the future direction of stakeholder management and the unresolved issues that is to be addressed?

As discussed above, the current guidelines lacks practical technique and clarity. So current guidelines should be considered as a conceptual framework rather than instructions. And there is a growing concern for the level of scaled up competence expected from the project manager. There were issues of ethical dilemma and security concerns in explicit categorization of stakeholders. The hidden motives and emergent nature are difficult to foresee in the front end. Also

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we need an objective framework of analysis which would be free from bias and prejudice.

### **Future research**

The research work opens lots of possible future developments. Some of them are listed below:

- Deeper study into each **specific drivers that cause change** in project management environment.
- Developing models to handle **shift & conflict in values** in stakeholder context.
- Drill down study on the **effectiveness of different tools and methods** used in stakeholder management.
- Usage of **project KPIs** in addressing the stakeholder complexity and information dissemination.
- Redefining **role of Project Manager** for project success.
- Testing the new stakeholder framework developed (Power-Interest-Attitude Matrix).

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