

Effective Stakeholder Relationships

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Projects are done for a reason

Any project that is cancelled, not completed, or fails to meet its objectives and has to be written off, is obviously a waste of organization resources and time. However, it is also not enough to just successfully execute a project to completion. A successful project that is not implemented or used because it doesn't meet the customer's or user's requirements and expectations is equally, if not more, wasteful.

The success of a project, therefore, depends on meeting both the business objectives for which it is being done and its customer/user expectations. This article focuses on the people involved in projects because they are the ones who define business objectives, specify requirements, approve projects, do the work of projects, and use the product of the product. In the world of project management, we collectively call these people "stakeholders." It is important to understand their expectations to identify and meet their needs.

Who is a stakeholder?

Webster's Dictionary's definition of stakeholder is very appropriate for projects: "the holder of the stakes for a wager." Replace the word "wager" with "project" and a stakeholder becomes anyone who has a stake in the project's outcome.

The Project Management Institute's (PMI®) Guide to the Project Management Body of Knowledge (PMBOK Guide®) expands this definition to include anyone who, "... is actively involved in the project, or whose interests may be positively or negatively affected by execution or completion of the project." This means that just as the project affects its stakeholders, in a reciprocal way, stakeholders can and do affect the project. But first, we need to determine who the stakeholders for today's projects are.

Stakeholder Identification

A logical first step to identifying project stakeholders is to look at possible stakeholder groups. In general, these can be sorted into three levels:

Level 1 - Stakeholders within the project organization: Senior Management, Sponsor, Customer, Users

The level 1 stakeholders define the need and requirements for the project, and control the traditional project constraints of cost, time, and scope (the "triple constraints").

This includes the organization senior management, the sponsor, and possibly others who, by their position, may influence the project. Senior managers approve and contribute resources to the project, and/or may be users of the outcome of the project. It is in effect senior management's project, and they define the product to be produced.

Level 2 - Stakeholders within the project: Project Manager, Core Team Members, Vendors and Suppliers, Support Staff

At the second level are the project manager and team, and any others operating within the project's triple constraints. These are the people who do the actual work of the project and, therefore, are critically important to project completion, and ultimately responsible for project success.

Level 3 - Stakeholders from outside organizations: Regulators, Licensing Agencies, etc.

The third level of stakeholders includes those not directly a part of the project's organization and not involved in the project work. They are, however, relevant to project success because of their potential impact on the project. This includes those whose support and/or approval is needed to ensure project completion, and include regulatory, licensing, and other agencies who can influence the project. Developing good working relationships to understand both their requirements and expectations is crucial, and requires extra effort to maintain effective relationships because of the distance between them and the project.

Stakeholder Analysis

Having identified the various stakeholders, we now need to take into account their importance and ability to influence the project. Their expectations must be first recognized and then understood. Stakeholder analysis identifies and documents their needs and leads to an understanding of what the stakeholders believe the project will produce. The analysis provides understanding of their needs and criteria to satisfy them, and it allows creating working relationships to balance and meet their expectations.

Level 1 Stakeholder Analysis: Senior management determines which projects are in the organization's portfolio and their priority, and authorizes spending organization resources with an expectation of some return on that investment. Senior management and the project sponsor need to provide clear guidelines of their expectations to the project manager, who must then make sure that the project team understands these organizational expectations. The customer (who may or may not be the end-user) owns the requirements for the product of the project, and their functional requirements must be clearly understood and prioritized. Users of the project outcome are obviously important stakeholders and require careful analysis to identify their expectations.

Level 2 Stakeholder Analysis: The project team and others working within the triple constraints also have expectations. A clear understanding of the project goals and objectives by the team is essential. If they are unclear about the needs and intended use of the product of the project, decisions made during project development can take the project in a wrong direction requiring significant replanning and rework that can, and often does, expand the triple constraints. The project team's understanding of what is expected of them and what they expect the project to produce is essential to project success.

Level 3 Stakeholder Analysis: The stakeholders outside the organization and project also need to understand the project as well as its impact, and their expectations need to be clearly documented. Regulatory and licensing agencies may be open to adjusting or modifying their stated requirements as long as the overall goals of their organizations are met. Waivers may also be available for certain circumstances and are often overlooked as a way to mitigate otherwise paralyzing restrictions.

Balancing Stakeholder Needs

Stakeholder's differing goals and objectives may be in significant conflict on a project and require careful balancing to ensure the overall project goals can be met. The step after stakeholder analysis, therefore, is to balance stakeholders' needs that demand the most attention and map these against the project constraints. This requires ranking the needs in terms of relevance and influence to the project to clearly separate the must-have, like-to-have, and would-be-nice-to-have requirements.

Summary

Projects are done by, for, and with people. Project stakeholders are these people. They include anyone, and everyone, who can influence, impact, or are impacted by the project. This creates complexity because of the wide range of people involved including the managers and the sponsor in the organization that owns the project, customers, users, the project team, and others internal and external to the project. Stakeholder identification, analysis of their needs, and balancing of these needs in the best interests of the project are significant challenges but crucially important for project success.

About the Author

Dr. Jerry Mulenburg, PMP, is a Global Knowledge instructor with a long and varied career in project management for NASA, in higher education, and for the US Air Force. He has published a number of technical papers and made many conference presentations on issues related to managing complex projects.

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