



Project Services Pty Ltd

# STAKEHOLDER CHAMELEON IGNORE AT YOUR PERIL!

Presented at

**PMI**  
**Global Congress**  
ASIA PACIFIC 2005

**21-23 February 2005**  
**Swissôtel (The Stamford)**  
**Singapore**

**Lynda Bourne** BA Hons., PMP, CMACS, Director of Training and  
Doctor of Project Management candidate, RMIT University, Australia

**Derek H.T.Walker**, Professor of Project Management and  
program director of Doctor of Project Management, RMIT University, Australia

For more stakeholder management papers see:

[www.mosaicprojects.com.au/Resources\\_Papers.html#Stakeholder\\_Papers](http://www.mosaicprojects.com.au/Resources_Papers.html#Stakeholder_Papers)

Stakeholder Management home page see:

[www.stakeholder-management.com](http://www.stakeholder-management.com)

**Mosaic Project Services Pty Ltd**

13 Martin Street

South Melbourne VIC 3205

Tel: +613 9696 8684 Fax: (03) 9686 1404

Web: [www.mosaicprojects.com.au](http://www.mosaicprojects.com.au)

Email: [lyndab@mosaicprojects.com.au](mailto:lyndab@mosaicprojects.com.au)

## ABSTRACT

This paper presents results from two case studies that clearly indicate that the strategies needed to engage project stakeholder support are different for every project, even when the stakeholders are the same people. The case studies examine a construction project and an ICT project undertaken within the same organisation that effected the working environment of a common group of people.

These case studies used the *Stakeholder Circle*<sup>TM</sup> to identify, prioritise and visualise the relative stakeholder influence. This tool implements a methodology that allows any project team to make a meaningful assessment of its stakeholders and understand their relative power and influence. The results of the analysis showed significant differences in the processes needed to manage the respective groups. The project teams recognised they needed to adopt significantly different strategies to achieve stakeholder engagement, leading to stakeholder satisfaction and a successful project.

---

## MAIN PAPER

### Introduction

A project's stakeholder set changes as various stakeholders change their role within the organisation or leave the organisation and new people arrive. As a consequence, the ability of individual stakeholders to influence the project may increase or decrease over time. Most project management methodologies define ways to identify project stakeholders, basing their entire communications strategies on this initial (and only) identification. Many projects fail because stakeholders do not continue to support project vision/objectives, and the project team fails to recognise these changes in key stakeholders' attitudes or relative power or position and fail to appropriately adjust stakeholder management activities (Bourne and Walker 2003).

Previous papers (Bourne and Walker 2005), (Bourne and Walker 2003) have explained how stakeholders might influence the outcome of projects and illustrated how they can be identified and their power and influence measured. In these papers the authors have argued that project managers are required to develop robust relationships with project stakeholders to ensure successful delivery of the project outcomes and that this requirement calls for a set of skills, beyond managing and leading, that enables the PM to work within the culture and political environment of the organisation to ensure greater organisational support for project success.

This paper describes the results of two case studies undertaken as part of a Doctor of Project Management research project. These case studies examine a construction project and an ICT business project undertaken within the same organisation and affecting the working environment of a common group of people. The results of the research suggest that the 'correct' approach to engaging stakeholders is different for every project, even when the stakeholders are the same people.

The case studies used the *Stakeholder Circle*<sup>TM</sup> to identify, prioritise and visualise the relative influence of each stakeholder. This tool implements a straightforward

methodology that allows any project team to make a meaningful assessment of its stakeholders and understand their relative power and influence. An interpretation of these results in the project environment and organisational context also provides some interesting insights into the relative importance of the same stakeholders in each project, the project team's view of their influence and the difference between the behaviours of the stakeholder community.

This paper will describe the methodology that underpins research into the nature of relationship management in projects. It is organised in the following way: first the definition of stakeholder used in the methodology and a discussion of stakeholder theory; the second section defines the methodological framework of identification and prioritisation of project stakeholders leading to development of the *Stakeholder Circle*<sup>TM</sup>, followed by a description of the case studies. The final section is focused on the implications for the theories of stakeholder management that arise from the findings of the research – development of engagement strategies appropriate to a particular stakeholder set, and the consequent impacts on risk management.

Stakeholders have been described variously as “the one who holds the beef” (Dinsmore 1999), those who have an interest (Boddy and Buchanan 1999), as being essential in “people-oriented project cultures” (Vaupel, Schmolke et al. 1999), and as being essential at all points in the project from ‘initiation’ to ‘closeout’ (Cleland 1995).

The methodology underpinning the *Stakeholder Circle*<sup>TM</sup> uses the idea of reciprocity and continual assessment to ensure that stakeholders' expectations and needs are known, recognised and incorporated into the management of the relationships. (Post, Preston et al. 2002) have stated that relationships with an organisation's entire network of stakeholders are essential for its long-term survival. While the focus of the research described in this paper is on the contribution of relationship management to project success for the life of the project, it is important to understand that relationships don't begin and end with the initiation and closure of a project, but are continuing aspects of the life of a professional project manager.

## Identification, Assessment and Prioritisation of Project Stakeholders

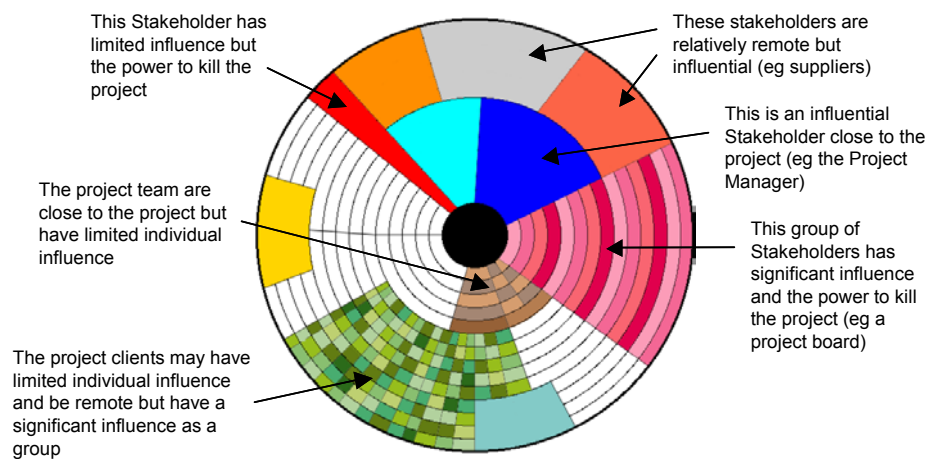
The definition of *stakeholder* that will be the basis for research into relationships is:

*Stakeholders are individuals or groups who have an interest or some aspect of rights or ownership in the project, and can contribute to, or are impacted by, the outcomes of the project.*

Identifying the potential project stakeholder set by using the PM's networks is important to project success. It is vital for the project team to analyse and assess the potential stakeholders and understand what must be done to recruit them for project success. An essential part of stakeholder assessment and management is assessing all of the potential impact of a stakeholder's interest in terms of contributing to project success. This can be provided through using imagery such as an Influence Map or Social Network Map based on an organisation's formal structure and showing who has strong or weak influence in the project environment. Project stakeholders may

have deep (extensive) or shallow (limited) influence in terms of their network of others who may be proxies for their interest. For example, an individual with weak influence on the project's driving power force may have very deep and strong influence on another individual or group that may in turn have a very strong influence on the project power source. Information about these relationships may come through interviews, formal and informal documentation, the 'grapevine'. Astute project managers keep their antennae constantly active, and know when and how to use such influence maps to achieve success through others who may be able to influence the outcomes. Such devices are extremely useful in visualising stakeholder influence, but they are limited because they cannot illustrate the full matrix of power, influence and importance to the project.

Figure 1 illustrates the *Stakeholder Circle*<sup>TM</sup> techniques developed by one of the authors for showing stakeholder power and impact(Weaver and Bourne 2002).



**Figure 1 - The Stakeholder Circle (Weaver and Bourne 2002)**

Key elements of the *Stakeholder Circle*<sup>TM</sup> are: concentric circle lines that indicate distance of stakeholders from the project or project delivery entity; patterns of stakeholder entities that indicate their homogeneity, for example a solid shade indicates solidarity while shading or patterning can indicate heterogeneity in presenting an interest; the size of the block, its relative area, indicates the scale and scope of influence; and the radial depth can indicate the degree of impact. This tool can be very useful for project managers trying to understand and remain alert to, the nature of stakeholder impact. The model has been tested through research conducted by one of the authors, and presented at Project Management Institute (PMI) chapter meetings and conferences (Weaver and Bourne 2002) on several continents—in each case the presenter received many interesting questions and comments that indicated its resonance with practicing project managers.

The *Stakeholder Circle*<sup>TM</sup> methodology consists of three parts: the identification of project stakeholders within the project environment, as having directions of influence of upwards, downwards, inwards, outwards or sideways (Bourne and Walker 2003). A statement is required about what each individual or group requires from the project as well as a definition of the significance to the project of these individuals or groups.

The methodology also facilitates prioritisation of stakeholders by considering three factors that can assess the relative importance of stakeholders. These are: Proximity - are they closely associated or relatively remote from the project? Power - is their power to influence significant or relatively limited? and Urgency – are they prepared to go to any lengths to achieve their outcomes? Through an assessment conducted with the project team members, each stakeholder (either group or individual) will be rated. The outcome of these activities is a prioritized set, the top fifteen of whom are built into a unique *Stakeholder Circle*<sup>TM</sup>.

## The Case Studies

The research investigated the effectiveness of the *Stakeholder Circle*<sup>TM</sup> in supporting the project manager and project team in managing the project's relationships. Action research was conducted on six case studies from five different medium-sized organisations on IT and construction projects. Evaluation forms distributed to the workshop participants indicated that all participants considered the methodology to be useful to them and their organisation in identifying and managing important stakeholders. Two of these case studies are examined in this paper.

### Case Study 1 – IT Project ('Council 1')

'Council 1' is a local government serving an inner city constituency, with a diverse set of residents and ratepayers, from wealthy professionals to single parents and the unemployed; from long-term residents to transients. This organisation has been undergoing a culture change program over the last two years to develop an organisation characterised by open communication, mutual trust, respect and recognition. Its formal hierarchical structure is a five-layered traditional structure. The IT project that was included in this research was an Asset Management System, to assist Council 1 in complying with Government requirements and to ensure greater efficiency in managing Council 1's assets which included roads, curbing, buildings, and drains. The phase of the project covered by this research was to select the successful company through a complex tender process, and working with this company to deliver the planning phase which included developing and maintaining schedules, implementation plans. Funding had been approved, but the selection process was taking much longer than expected. The original, aggressive plan for implementation included having a significant part of the solution delivered within six months of the time the research began. The organisation did not have many PM skills and underestimated the effort involved in gathering requirements, developing databases and processes as well as integrating a number of existing systems. The Stakeholders identified by the project team through the methodology are shown in the *Stakeholder Circle*<sup>TM</sup> in Figure 2 below.

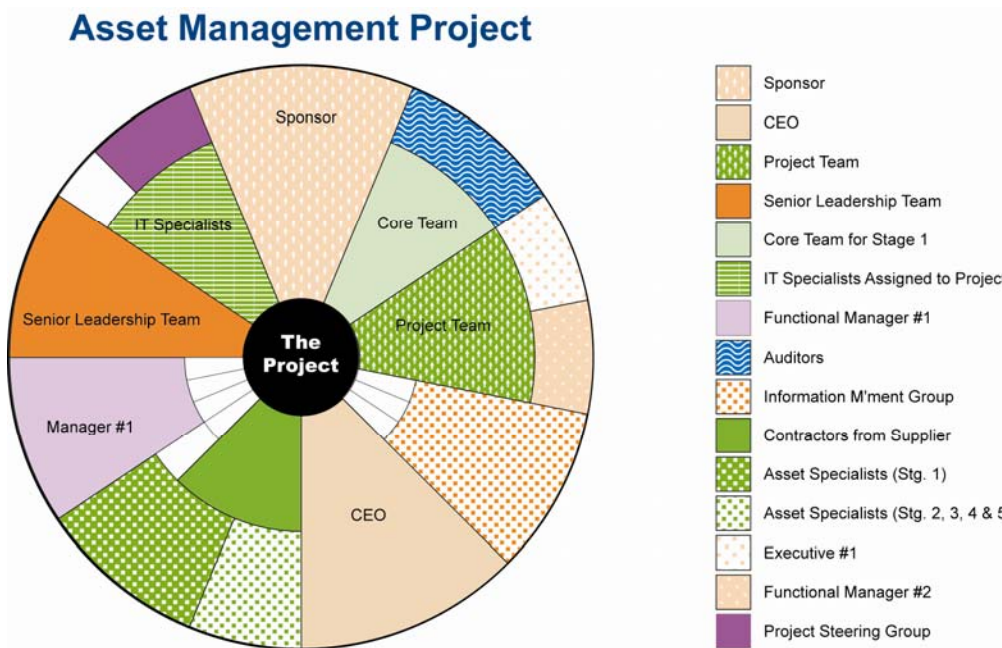


Figure 2 - Stakeholder Circle™ for Council 1

The top 15 stakeholders identified and prioritised through the methodology were, in order of priority with their ‘direction of influence’ (Bourne 2004) in parenthesis:

1. The Sponsor (Upwards – managing up)
2. Chief Executive Officer (Upwards)
3. Project team members (staff) (Downwards –part of the team)
4. Senior Leadership Team (Upwards)
5. Core Team for Stage 1 comprising managers of those areas where the Asset Management solution would be implemented first along with some individuals, either managers or specialists who would be essential to the success of the total project implementation. (Downwards)
6. IT Specialists assigned to the project (Downwards)
7. Manager of one of the Functional groups in the organisation (#1) (Outwards)
8. Auditors (Outwards)
9. Information Management Group (Upwards)
10. Contractors provided from the successful tenderer of the asset management solution who will be working as part of the project team. Included in this group will be individuals responsible for setting and maintaining a schedule and other project administration tasks throughout the implementation of the solution. (Downwards)
11. Members of each of the areas to be implemented in Stage 1 who will act as specialists and Business Analysts as well as represent their area’s needs for implementation and training. (Downwards)

## The Stakeholder Chameleon – Ignore at your Peril!

12. Members of each of the areas to be implemented in subsequent stages, Stages 2 to 5, who will act as specialists and Business Analysts as well as represent their area's needs for implementation and training. (Downwards)
13. Director of one of the areas in the Council (a peer of the sponsor) (Upwards)
14. Manager of one of the Functional groups in the Council (#2) (Upwards)
15. Project Steering Group (comprising at the time of the workshop of managers and asset specialists who worked to develop requirements for the solution and were on the tender selection panel). (Sideways – peers of PM)

### Case Study 2 – Construction Project ('Builder')

'Builder' is a private business infrastructure solutions company, offering services in the areas of projects, property, both management services and development services. 'Builder' has been selected to manage the Town Hall re-development project for 'Council 1', mainly providing project management services, in the form of managing the architect group, engineering specialists, and responsible for project administration of schedules, budgets, issue and risk management. Led by the MD, it is a very flat structure. The project is a Town Hall re-development project, where 'Builder's' role is of contracted project management, managing all the professional service providers as well as the overall program. This seems to be the usual structure of construction projects. While the PM was responsible for much of the communication with clients and professional service providers, the project director managed communications and relationship management with the senior managers of 'Council 1'. The Stakeholders identified by the project team through the methodology are shown in the *Stakeholder Circle*<sup>TM</sup> in Figure 3 below.

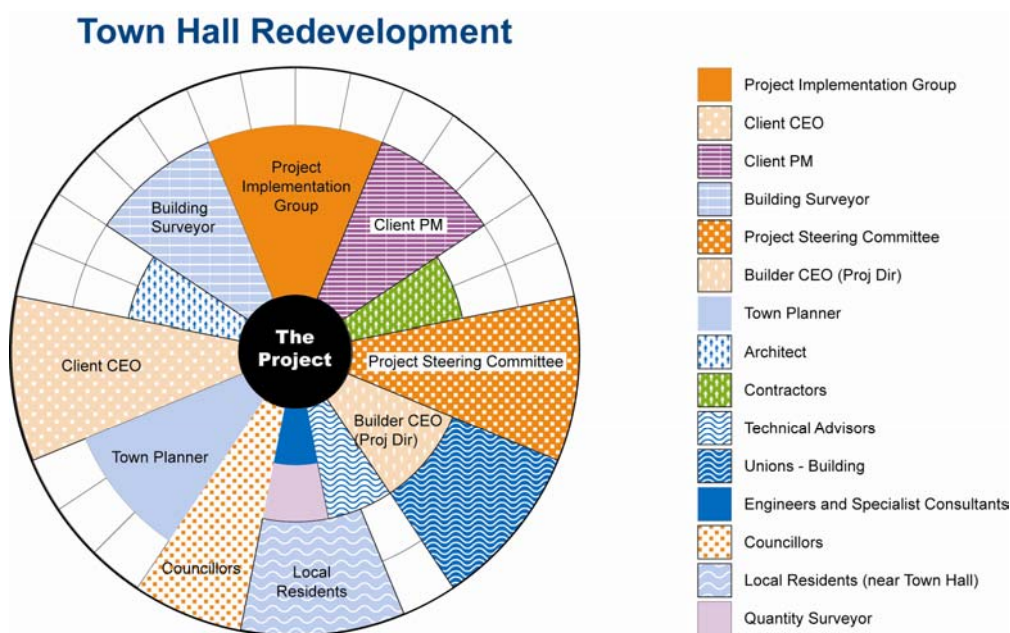


Figure 3 - Stakeholder Circle<sup>TM</sup> for Builder

## The Stakeholder Chameleon – Ignore at your Peril!

The top 15 identified and prioritised stakeholders through the methodology were, in order of priority:

1. Project Implementation Group (Upwards – managing up)
2. Client Chief Executive Officer (Upwards)
3. Client Project Manager (Sideways – peers of PM)
4. Building Surveyor (Outwards)
5. Project Steering Committee (Upwards)
6. ‘Builder’ MD/Project Director (Upwards)
7. Town Planner (Outwards)
8. Architect (Outwards)
9. Contractors (Downwards –part of the team)
10. Technical Advisors (Outwards)
11. Unions – Building Trade (Outwards)
12. Engineers and Specialist Consultants (Outwards)
13. Councillors (Upwards – managing up)
14. Local Residents (near Town Hall) (Outwards)
15. Quantity Surveyor (Sideways – peers of PM)

### Case Studies - Summary

The outputs of these *Stakeholder Circles*<sup>TM</sup> are summarised in Table 1 below.

**Table 1 - Results of Circles summarised**

	<b>Council 1</b>	<b>Builder</b>
Managing Upward	6 (40%)	5 (33%)
Managing downwards (part of the team)	6 (40%)	1 (7%)
Sideways (peers)	1 (7%)	1 (7%)
Outwards	2 (13%)	8 (53%)
Inner perimeter ‘white space’	7 segments (22%)	0 segments
Outer perimeter ‘white space’	1 segment (3%)	18 segments (56%)
Power to ‘kill’ project	3 ‘managers’ – 1, 2 and 4 on the priority list	3 ‘managers’ 1,2 and 5 on the priority list

Although both projects will provide deliverables to the same organisation – ‘Council 1’- there are some factors that have caused the *Stakeholder Circle*<sup>TM</sup> developed for each to be significantly different in appearance. The most obvious differences are:

- The Asset Management system is an IT project, managed by Council staff, and whose team is primarily also Council staff. Contractors will be provided from



the vendor of the asset management package that will be customised to the Council's requirements whereas:

- The Town Hall re-development is a construction project managed by 'Builder', a commercial project management and services organisation, with a PM provided by Builder and a client PM provided by 'Council' to work with the team provided and managed by 'Builder'
- Council has the same number of prioritised stakeholders in the 'team' as in 'management'. This can be explained by the hierarchical nature of the Council organisation; the sponsor, the CEO, the Senior Leadership Team, the Information Management Group (IMG) are all essential to protect the project from other competing priorities. The relatively large number of individuals and groups 'in the team' can be explained by two possible things – the inclusive management style of the Project Manager and the effect of the culture change program being implemented in the Council.
- The only 'manager' from the Builder organisation is the MD of the Company (who also holds a project role, that of project Director). The other 'managers' are from the Client organisation: the Project Implementation Group, the CEO, the Project Steering Committee, and the Councillors. The only 'team' members were the contractors engaged in the design and refurbishment activities for the Town Hall, reporting directly to the Builder PM.

It is clear from viewing the results of the identification and prioritisation of the two projects that it is not possible to predict who the most important stakeholders will be and what mix of management techniques is most appropriate. This leads to the third part of the *Stakeholder Circle*<sup>TM</sup> methodology – stakeholder engagement and the development and maintenance of project relationships.

## Discussion - Relationships

Project relationships can be best defined by the relationships between the Project Manager and the project stakeholders. These relationships also defined as 'lookings' by Briner, Hastings et al. (1996) and as 'directions of influence' by Bourne and Walker (2003), focus on how different stakeholders – including senior management, project team members, users - have different expectations of the project and different definitions of success and therefore require different methods of management.

Even when a project manager lacks formal power, he/she needs to be able to influence people and outcomes; through building and nurturing what power they have in optimising "coalitions of support" (Boddy and Buchanan, 1999). Failure to understand and control the political process has led to the downfall of many projects (Senge 1990; Lovell 1993). To successfully manage within an organisation's power structures, it is also necessary to understand the organisation's formal structure (an organisation chart will illustrate this), its informal structure, the social network discussed earlier in this paper, (friendships, alliances, maintaining acquaintance with former work colleagues) and its environment (player's motivation, priorities and values) (Block 1983).

The *Stakeholder Circle*<sup>™</sup> methodology is centred on identifying, particularly for the top 15 stakeholders (previously prioritised), engagement approaches tailored to the expectations and needs of these individuals or groups who have been defined as the most important and influential of the project relationships. Building relationships as a planning process providing essential data i.e. the role of the stakeholder, what the project needs from that relationship, and what that particular stakeholder, individual or group, will gain from supporting a successful project. One example of the ‘what’s in it for me’ aspect will be the possibility of enhancing a stakeholder’s reputation; another example is that successful achievement of the project’s benefits is part of a stakeholder’s Key Performance Indicator (KPI) set. The first analysis step requires identifying the stakeholder(s) level of interest, at 5 levels from committed, through ambivalent to antagonistic. Next step is to analyse the stakeholder level of support, at 5 levels from active support, through non-committal to active opposition. Clearly if an important stakeholder is both antagonistic and actively opposed he/she/they will need a different relationship approach from stakeholder(s) who are highly interested and highly supportive.

The next step is to define ‘how’ the message (any message) will be delivered – written, oral, formal and/or informal, and who should deliver it and at what frequency. It does not need to be just the project manager, other members of the project team may be more appropriate and sometimes the project manager may have to brief another person who has more influence with the target of the message. The frequency and regularity of delivery of these messages will vary with the interests and level of support of the stakeholder as well as the stage of the project. Finally it is important to define the content of the message itself in terms of the stakeholder’s value proposition. Often the message will be regular project updates or notification of issues and their resolutions.

By providing more project managers with a methodology and a tool to better visualise stakeholder potential impact, it is possible to ensure a greater set of potential responses of project managers to the environment they need to operate in.

## Implications

Improved stakeholder relationship management using the *Stakeholder Circle*<sup>™</sup> methodology and visualisation tool assists in the areas of risk management, communication and project leadership.

We will now focus on risk management in relation to the *Stakeholder Circle*<sup>™</sup> methodology and toolset due to scope limitations allowed for in this paper:

- Stakeholders must be managed or engaged in any risk management process. This tool facilitates improved risk identification, mitigation, sharing and avoidance. By providing a straight forward way in which stakeholder influence can be visualised—stakeholder communication strategies can be developed and risks more comprehensively dealt with.
- The tool facilitates exploration of power in terms of how stakeholders may wield power. A PM with little personal authority can use the tool to ensure that stakeholders defined as essential to the project can be managed to maintain their commitment to project success.

The risk responses defined by the PMBOK (PMI 2004) can be useful as a guide for managing the risk aspect of relationships.

**Avoidance** (eliminating the threat posed) may be managed through improved communication with stakeholders.

**Transference** of the negative impact of the threat can be managed through ensuring that the team member who engages a particular stakeholder is one who has empathy with him or her. When the difficult stakeholder is ‘outwards’ – for instance a contractor delivering services to the project, (Bourne and Walker 2003), transference as a strategy can mean the development of a contract to balance (or shift) the risk. Transference can also take the form of “performance bonds, warranties, guarantees”(PMI 2004) p 262.

**Mitigation** is about reducing the probability or impact of the risk related to the actions (or lack of action) of an important stakeholder, possible through early action, or through the *Stakeholder Circle*<sup>TM</sup> identification, prioritisation methodology and subsequent engagement planning.

Communication as part of stakeholder risk management is vital for project managers for relationships with not only close, supportive ‘tame’ stakeholders but also those that may be hostile to their priorities of project goals and vision. These power structures are complex and constantly changing requiring a high level of maintenance. Maintenance in the form of ‘active communication’ systems with appropriate stakeholders will also provide ‘early warning ‘systems’. Inevitably, ‘rogue’ stakeholders (supporting one of the warring parties in the project team, or seeking to establish ascendancy over ‘tame’ stakeholders, or with other hidden agendas) will incite conflict or cause trouble for the project manager and seek to cancel the project or even worse, change some aspect of the project; change the scope, technical direction, reduce the funding, require additional or different reporting. If project managers can establish a credible foundation of understanding stakeholder influence and its intensity then they can engage influential stakeholders in active communication, and disaster may be averted in problematic situations. Conversely, stakeholder influence can be used as a subtle positive driver for project success.

The Stakeholder Engagement Plan should be regarded as being an important aspect of the Risk Management Plan, while being recognised that Stakeholder Management is not Risk Management. A thorough knowledge of each important stakeholder’s risk tolerance, and indications of triggers or ‘early warning systems’ that may indicate a stakeholder’s loss of interest or support for the project can be managed through the reporting and monitoring aspects of the Stakeholder Engagement Strategy in the same way that risk must be managed.

## CONCLUSION

Without attention to the needs and expectations of a diverse range of project stakeholders, a project will probably not be regarded as successful even if the project manager was able to stay within the original time, budget and scope. The two case studies outlined in this paper illustrate the point that every project is unique and so are its stakeholders – in fact the stakeholders may be unique to each part of the project

from feasibility, through planning to execution. Ignoring this point will place project success at risk. The conclusions to be drawn from these case studies include:

- Using a standardised methodology (such as the *Stakeholder Circle*<sup>TM</sup>) contributes to the effectiveness of the analysis process.
  - Undertaking a formal stakeholder analysis assists in delivering successful projects.
  - The same person can exhibit significant differences in his/her characteristics as a stakeholder when impacted by projects of a different type.
  - There are many similarities and synergies between stakeholder and risk management.
  - There are demonstrable differences in the behaviours of the stakeholder community between ICT and construction projects.
  - These differences change the demands placed on the project management process to deliver successful outcomes.
- 

## References

Block, R. (1983). The Politics of Projects. New Jersey, Yourden Press.

Boddy, D. and D. Buchanan (1999). Take the Lead: Interpersonal Skills for Project Managers. New York, Prentice Hall.

Bourne, L. (2004). Paradox of Project Control. PMOZ - Maximising Project value, Melbourne, Australia.

Bourne, L. and D. H. T. Walker (2003). Tapping into the Power Lines: a Third Dimension of Project Management Beyond Managing and Leading. IPMA World Congress, Moscow.

Bourne, L. and D. H. T. Walker (2005). "Visualising and Mapping Stakeholder Influence." Management Decision July 2005.

Briner, W., Hastings, C. and Geddes, M. (1996). *Project Leadership*. Aldershot, UK, Gower.

Cleland, D. I. (1995). "Leadership and the project management body of knowledge." International Journal of Project Management 13(2): 83-88.

Dinsmore, P. C. (1999). Winning in Business With Enterprise Project Management. New York, AMA Publications.

Lovell, R. J. (1993). "Power and the Project Manager." International Journal of Project Management 11(2): 73-78.

## The Stakeholder Chameleon – Ignore at your Peril!

PMI, - P. M. I. (2004). A Guide to the Project Management Body of Knowledge (PMBOK). Pittsburgh, Pennsylvania, Project Management Institute.

Post, J. E., L. E. Preston, et al. (2002). "Managing the Extended Enterprise: The New Stakeholder View." California Management Review 45(1): 6 - 28.

Senge, P. M. (1990). The Fifth Discipline - The Art & Practice of the Learning Organization. Sydney, Australia, Random House.

Vaupel, R., G. Schmolke, et al. (1999). Customer-focused Management by Projects. Basingstoke, UK, MacMillan Press.

Weaver, P. and L. Bourne (2002). Project Fact or Fiction - Will the Real Project Please Stand Up. Maximising Project Value, Melbourne, PMI Melbourne Chapter.

Weaver, P. and L. Bourne (2002). Projects - Fact or Fiction? PMI Conference - Maximising Project Value, Melbourne, PMI Melbourne Chapter.