Skillbook
Managing Stakeholders

Project Management
Skills

Mindtools

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Skillbook

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1. Introduction

S takeholders are people or organizations that have some kind of interest in, and influence on, your project. They might lend you their support if they're keen for you to succeed, or they could oppose you if they are suspicious or nervous of the consequences of the project. But they won't be able to help or hinder if they have little power.

Your chances of success depend very much on your understanding of these dynamics. You need to know who your stakeholders are and get them on your side, whether they are a paying client, a colleague, or someone in the background who has the power to "pull strings."

For example, if you were a condominium developer, you'd be wise to do an extensive analysis of contractors and sub-contractors, to find out whether they are reliable people who will get the project done. You'll also need to identify who your potential buyers will be and whether there will be a market for your condos once they're built. Do you know how the local media are likely to react? And which city hall officials could authorize (or dismiss) your entire project – what would convince them to decide in your favor?

Imagine that you're planning the development to be next to the home of a city councilor's son: you might run into problems if he believes that the project will affect his quality of life. Failure to identify him, and address his concerns, might mean the difference between developing the land or not. So, this neighbor is a hidden but important stakeholder in terms of your project's success.

You can address these sorts of issues by carrying out a well-planned stakeholder analysis. You'll need to identify as many stakeholders as you can, and understand their power and influence. Then, you can work on strategies to maximize their positive impact on the project, and minimize their negative impact.

Stakeholder management is a very proactive approach to project success. Effective leaders understand this dynamic and use it to their advantage. In this **Skillbook**, you'll learn what stakeholder management is and how it can help you to get projects off the ground successfully. We'll also work through two scenarios that will test your understanding. By the end of this Skillbook you will:

- Be able to identify key stakeholders in a project.
- Understand how to prioritize your stakeholders' influence.
- Understand the basics of stakeholder engagement, and how you can win support for your project.

2. Analyzing Stakeholders

T o run a project successfully, you need the right people to do the right things to support it. Your stakeholders might have an active role in developing the project or in using its end result.

They'll often have some level of ownership of it, and have knowledge and expertise that will help shape its direction. But they may also be negatively affected, and difficult to identify, which can make it tricky to observe their influence until it's too late.

So the first thing you need to do is start thinking about the wide variety of people who will likely influence your project. To help you identify them, consider the following common stakeholder groups:

- **Project team members** – they produce the results, and are responsible for the details and the planning.
- **Consultants** – these people assist the project team members by supplying subject matter expertise or technical support. They can come from within the organization or outside it.
- **Consumers** – they decide whether to buy the product or service.
- **End users** – people who'll use and benefit from the results. They have direct contact with the product and could be the consumers too.
- **Sponsors** – the official supporters of the project, they help a project manager get what they need to run it successfully. Although sponsors don't necessarily form part of the project team, they significantly influence its decisions and direction.
- **Other influencers** – they can impact your success in other ways and typically include investors, professional associations, public interest groups, government representatives, your competitors, and your employees.

Other common stakeholders include:

| Your boss	Shareholders	Government
Senior executives	Alliance partners	Trade associations
Your co-workers	Suppliers	The press
Your team	Budget holders	Interest groups
Customers	Analysts	The public
Prospective customers	Future recruits	The community
Your family	Key recruiters	Key advisors

Action:

Identify the key stakeholders for your project and write them down in the table below. Think of all the people who will be affected by your work, who have influence or power over it, or have an interest in it's successful or unsuccessful conclusion.

My Key Stakeholders:

3. Stakeholder Prioritization

Now you know who your key stakeholders are, you need to prioritize them.

The best way to do this is by using a Power-Interest Grid (see figure 1, below). The grid is a 2x2 matrix that plots stakeholders' **power** to influence your project against their **interest** in it.

Figure 1. The Power/Interest Grid
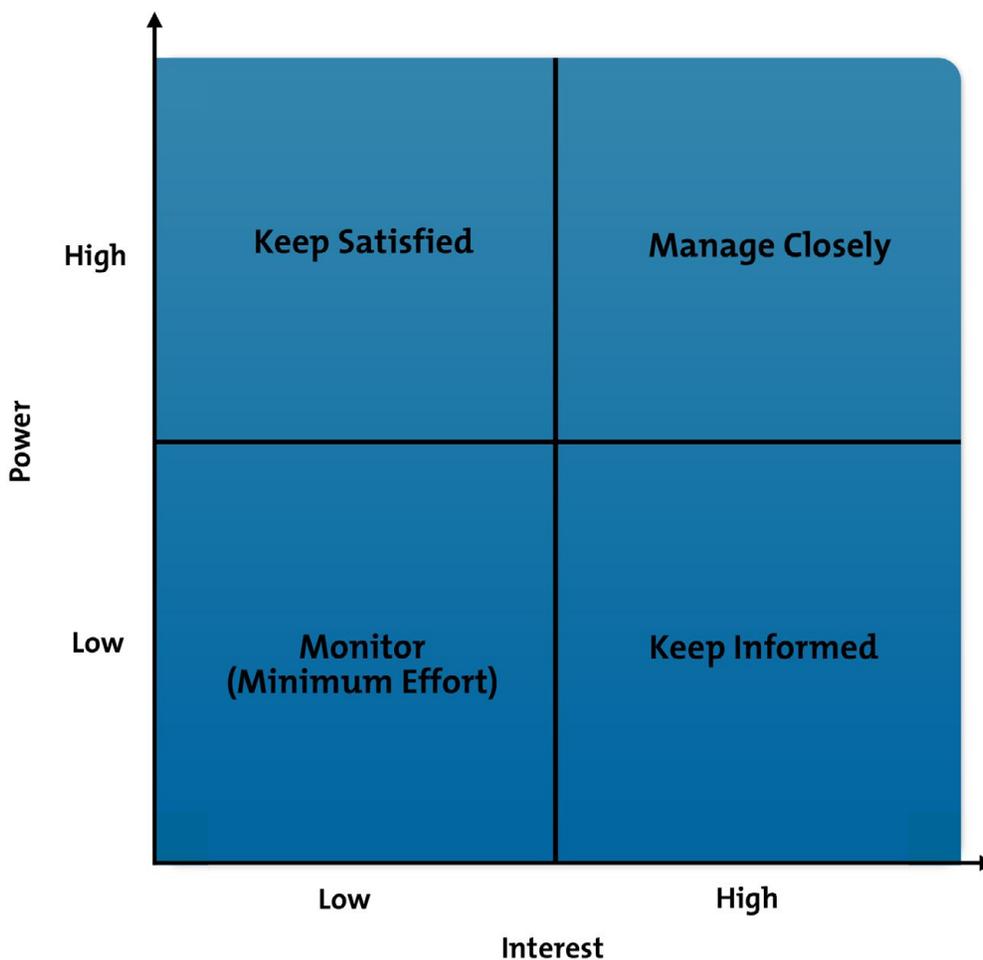
The stakeholders' positions in the matrix help determine how you'll deal with them — if at all.

The position that you allocate to a stakeholder on the grid determines the actions you need to take with them:

- **High Power and High Interest stakeholders** – (manage closely) are your key stakeholders. If they feel positive about the project, they will be powerful supporters. If they feel negative, they could do a lot of damage. So, you must manage them closely, keeping them fully informed and engaged, and win them round if you need to.
- **High Power but Low Interest stakeholders** – (keep satisfied) need occasional but appropriate information. If their interest grows, they could become key stakeholders.
- **High Interest but Low Power stakeholders** – (keep informed), will expect frequent communication. Choose a cost-effective way to keep them informed, so that they feel positive towards your project and, if they gain more power, will contribute to its success.
- **Low Interest and Low Power stakeholders** – (monitor) might become more interested or powerful in time, so don't ignore them. Instead, monitor their positions and be prepared to address any concerns they have promptly, particularly if they move to other quadrants of the grid.

Action:

Use the list that you drew up on page 3 of your key stakeholders and determine whether they are:

- High Power and High Interest.
- High Power but Low Interest.
- High Interest but Low Power.
- Low Interest and Low Power.

Then plot them on the Power/Interest Grid provided on page 4 (you may need to print the page out or draw your own Grid).

Bear in mind that any stakeholder might experience outside pressures that change their impact. For example, someone might have another goal that they need to achieve which conflicts with yours. This hidden agenda may drive them to demonstrate more interest and power than you anticipated. Or someone who is very supportive at the beginning could lose impact if they experience a sudden crisis at work or home that demands their full attention.

So, you'll need to take into account some subtle variables as you map stakeholders onto your Power-Interest Grid. Don't rush the exercise! Ask yourself lots of questions and try to anticipate these people's reactions to your plans and to external forces.

4.   Stakeholder Engagement

When you're confident that you know who your stakeholders are, and understand the type of relationship you need to have with each of them, you'll need to devise a communication plan.

Avoid becoming complacent with stakeholders who are positive toward you already. If you fail to maintain your good relationship, they might not be there when you need them. Remember, too, that you can't afford to dismiss the people who don't support you.You simply have to create a different engagement approach to minimize the damage that they could cause. You could even plan to win them over!

Action:

Create a Stakeholder Communication Plan using the table provided on page 7.

For each stakeholder you've identified, think about:

- Your communications approach (their position on your Power/ Interest Grid)
- Their key interests and issues (and how they might match up with your project work and outcomes).
- Their current status.
- They desired support you want from them.
- The desired role (if any) you'd like them to take on in the project.
- The actions you'd like them to take.

Finally, think about what you'll need to communicate to each stakeholder to establish and maintain their engagement. Summarize this by writing out a "What's in it for me?" message for each stakeholder in the final column of the table.

| Stakeholder Name	Communications Approach (From Power/Interest Grid)	Key Interests/ Issues	Current Status	Desired Support	Desired Project Role	Desired Actions	What's in it for me?

When you design your Stakeholder Communication Plan, it's also important to think about:

- What are the stakeholders' expectations?
- How can you increase their interest and motivation?
- How frequently will you contact them and through what channel?

It can be easy to lose focus with this process, because it can seem to be just "common sense" to start with. In reality, however, there are often many more key stakeholders than you might think of at first, and it's easy for urgent project activities to push stakeholder management issues "onto the back burner."

Stakeholder management takes time and effort, so keep yourself motivated by remembering the risks and the benefits:

- If you fail to identify stakeholders early on, you'll experience real problems as the project moves forward – and it might not even get off the ground.
- If you're patient and spend time on your initial planning, your reward will be a much smoother-running and more successful project.
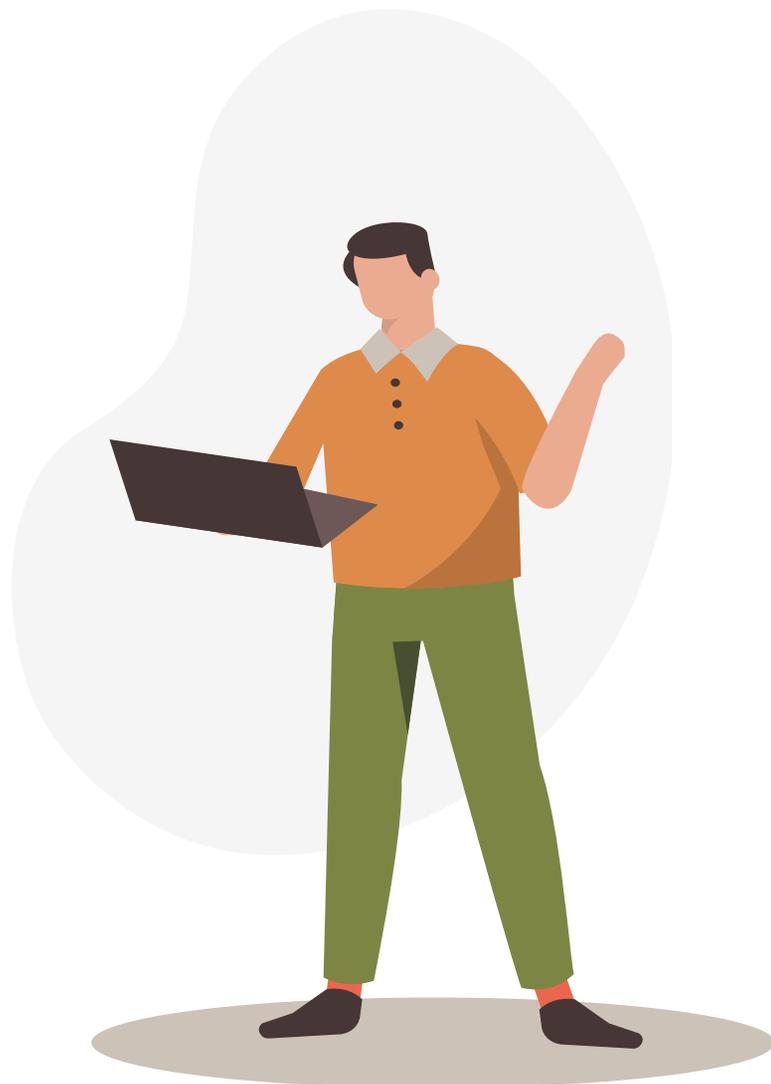
5.   Scenarios

H ere we look at two scenarios in which a project team makes crucial mistakes in identifying and analyzing its stakeholders.

As you read through each scenario, think about how you would do things differently. Make a note of your observations and answer the questions at the end.

Scenario One

Stakeholder Identification

Nelson leads a product development team at an educational publishing company. His objective is to develop a new product for teaching mathematics to elementary school children.

The regional School Board has decided to purchase the product based on the descriptions and examples already provided. The publisher's CEO spearheaded the project because he was frustrated with the way math was taught to his own children. He'd tried out a variety of tutoring services and just couldn't find a product that taught the right concepts **and** made learning fun.

The project team did a stakeholder analysis and decided it was important that the CEO and his kids were involved in the testing. Even though the purchase decision was already made, they made sure they kept the Board informed of developments. They set up field tests with groups of students to gauge their reaction to the product. They also consulted with key outside suppliers to make sure they could manufacture the product cost effectively.

The testing went very well. The children and the CEO thought the product was great. The Board was very pleased with all the progress and the product looked like it would be profitable.

Nelson and his team figured they had covered all their bases so they were very surprised to learn that, after six months in schools, the product was **not** a success. Only 37 percent of classes were using it regularly and almost 25 percent had stopped using it all together.

At first, the team thought the issue was training, so it went back and conducted follow-up sessions with teachers. Another three months went by and the results were unchanged.

Scenario 2

Stakeholder Analysis

Cindy recently started a video game development company. She is heading up its newest project to develop a fantasy adventure game (her previous games were either puzzles or children's games). The up-front research and development costs of this kind of large-scale game are huge. However, she has found an investor willing to fund this side of the product, who's a very keen gamer himself and believes that there's market for quality products in this genre.

Financing will be provided in stages over the next year and the investor will approve each further release of money. Cindy and the team begin their research. They identify end users as key stakeholders. They also look at gaming trends and what retailers and buyers are purchasing. Through discussions with industry representatives, and focus groups with consumers, they learn that crime-based games are selling well. So, the team begins to develop a realistic game in this genre that it is confident will sell well.

The team sticks to its budget figures and there are no major setbacks. The money continues to be released on schedule. When Cindy has the basic concept and shell of the game built, she invites key industry people and a targeted consumer group to provide feedback. The response is very positive. She prepares a detailed report for the investor and includes some of the feedback comments, thinking that he will be excited to learn more about the game and people's reaction to it.

Unexpectedly, the investor pulls his support for the project and Cindy and her team are left scrambling. They don't understand: the feedback from industry and consumers was great. No one had seen a game quite like it before, and they were all pleasantly surprised that a company with success in the children's and puzzles market could produce such a realistic crime game.

Question 2:

What went wrong? How would you suggest moving the project forward now? What are the repercussions of the ill-executed stakeholder analysis?

6. Scenarios: Suggested Solutions

Scenario One: Suggested Solution

Stakeholder Identification

What do you think went wrong? How would you have managed the key stakeholders differently?

Nelson and his team missed a crucial stakeholder group: teachers. Even though teachers aren't the people purchasing the product, they are the people who ultimately determine the product's success.

Nelson needed their buy-in as users of the product. The kids' reaction **is** important, but teachers need to be motivated to use the product in the first place. Kids might also love a new video game but that doesn't mean the teachers are going to use it in the classroom.

So in this instance, even without the monetary purchase decision, teachers are the "buyers" of things they choose to include in their daily curriculum.

Nelson should have included the teachers in early product development stages and done extensive testing with them. Allowing the teachers to provide feedback along the way would have improved buy-in and probably improved the overall quality of the product.

Scenario Two: Suggested Solution

Stakeholder Analysis

What went wrong? How would you suggest moving the project forward now? What are the repercussions of the ill-executed stakeholder analysis?

The team failed to adequately assess all stakeholders' interests. It focused on two very important groups: the industry and users. Unfortunately, it didn't communicate enough with the investor. Although the industry desires realistic crime-based games, not everyone will support this type of product. In fact there is a strong backlash against these games, due to feared links to real-life violence and reenactments of the scenes.

This new game is also a significant departure from the company's previous focus. There was no indication it would move into producing violent, crime-based video games, so this significant change in direction should have been brought up much earlier in the development process.

Knowing that the investor was involved for both commercial and personal interest, Cindy should have kept him informed along the way. He was given financial information, but not product information. His power and interest are both high, yet he was treated as a high power but low interest stakeholder.

7.   Key Points

T he likelihood is that every project you work on involves other people. These might be your colleagues, your boss, investors, or clients. And the chances are you'll depend on some of them for crucial support, investment and resources to make sure your project is a success.

An essential part of managing stakeholders is, of course, knowing who they are, and understanding the power and influence that they wield over your project. To do this, you need to map your stakeholders using a Power/ Influence Grid. This will enable you to identify who you need to manage closely, and who you can simply keep informed or monitor.

Once you understand who has power and influence over your project, you can then put together a comprehensive engagement plan to ensure that you connect with them, gather feedback, and – most importantly – keep them on board. Doing this will ensure that the most important stakeholders back your project and help you to make it a success.