

# Stake holders- An important pillar of Project success

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**Abstract:** The necessity of projects in any business or industry of any kind is inevitable today and its success is paramount to the organizations who's vision is to sustain in the long run among its competition and to gain competitive advantage. Hence It is very important to understand the significance of stake holder's role in the project success by the project champion or the project manager and also by the whole project team. The project can be any kind but the role of stake holders are crucial and this factor was not widely given importance in the practical project execution scenarios and hence this is contributing to the improper implementation and misalignment of process results vs project objectives. This paper is to enhance the understanding on the need for it and how to handle it in a structured manner in all project implementations.

**Keywords:** Stake holder, Stake holder management, stake holder engagement, project success factor.

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## 1. INTRODUCTION

In today's competitive environment, the importance of creating Projects are inevitable in an organization as it directly contributes to the growth and sustenance. Every industry no matter what it does but when the need comes for sustenance or establishing themselves in the long run, it has to serve its customers by understanding their expectations and fulfilling it at a pace than its competitors does. This is where the organizational strategies are being established and projects are means of achieving strategic goals.

Having said that the importance of the projects for an organization, needless to say that its success is paramount important. Success is a generic word which has lot of meaning in it. Success cannot be incidental. Planned, dedicated and aligned efforts can only lay a path to the success. There could be many factors which can influence the success of the project. One such factor could be a stake holder. But this was given least focus and it is totally left over in majority of the project implementations in the current situations.

In any project execution, generally many people get involved right from inception to a successful completion and their level of contribution, involvement and their influence on the project may vary. If the stake holders are not recognized and managed properly then there are more likely chances for failure of the project. There are many research articles confirms this statement. There are observations that many projects were executed without giving due respect or importance to it stakeholders in understanding their requirements and expectations.

This article will clearly describe the definitions, importance, its significance and also the detailed process steps involved in managing the stake holders effectively.

## 2. WHAT IS STAKE HOLDER?

According to the Project Management Institute (PMI), the term project stakeholder refers to, "an individual, group, or organization, who may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project, program or portfolio."

In other words, A stakeholder is either an individual, group or organization body who can get impacted or affected by the outcome or results of a particular project.

### **3. WHO IS STAKE HOLDER?**

Generally stakeholders may have an interest in the success of the project, and they need not be within an organization and can be outside the organization that is sponsoring the project. Stakeholders can have a positive or negative influence on the project. Few examples of stake holders are,

Top management, Project leader, Program Manager, PMO, Project team members, Sponsors, Immediate customer, Functional managers / Resource managers, immediate users, suppliers, Consultants, Educational institutions, Service providers, PMO's Policy makers, Govt agencies, Statutory bodies etc.

### **4. SIGNIFICANCE OF STAKE HOLDER**

Identifying the stakeholders in any project is the vital thing. Majority of project's success based on effective stake holder identification and management throughout the project implementation. Unhappy stake holders are a sign of project failure and hence maximum importance to be given to the stake holder identification soon after the project is identified and authorized.

Many researches revealing that majority of project disasters identifies the reason for nonexistence of structured approach of identifying the stake holders, prioritization, engagement and control of stake holders

PMI also added separate knowledge area in their PMBOK body of knowledge -5<sup>th</sup> edition onwards. Before that the stake holder identification was just an activity element addressed as part of communication management knowledge area. This shows the importance of stake holder management felt by the entire project management community across the globe. As PMI brings out changes to their standard PMBOK every four years once based on the inputs from project management professionals across the globe who are into practice of Project Management across various domain area's.

### **5. WHY DO WE NEED TO MANAGE STAKEHOLDER?**

Each and every project has stakeholders who are impacted by or can impact the project in a positive or negative manner. Out of all stake holders, some of them may not influence significantly on the project and its results but some of them certainly have significant influence on the project and its outcome. Also their level of influence may not be or need not be same right from the beginning of the project to its end. Hence it is essential to have close management of stakeholders on an ongoing basis which will provide an insight to the project manager on what strategies to adopt to keep the stake holders engaged through out the project for the successful outcome / results of the project.

Level of interest for a stake holder may vary time to time due to various reasons and their level of influence also can change at any point of time of the project implementation cycle. Hence if they are not monitored properly, then the disaster can happen at any point of time.

Another important reason for managing the stakeholder is as a response to risk management. As it is very clear that any unmanaged stake holders can turn out to be a hurdle for the project success and become a major bottleneck to any project. Appropriately managed stake holders can increase the success rate of the project by > 90%

### **6. EFFECT OF STAKE HOLDER ENGAGEMENT AND ITS PROJECT SUCCESS**

Stake holder satisfaction to be identified and managed as a project objective with out which the project success cannot be guaranteed. The effectiveness of stake holder engagement can be ensured through constant communications, discussions, understanding their needs, wants and preferences etc.

Also the Project Manager must know, every stake holder's level of influence on the project right at the start of the project and then on an ongoing basis throughout its implementation. The stake holder who is having very low influence on the project need to be treated differently than the stake holder who is having direct influence on the project success or its outcome. Hence different level of strategy is required for different stake holders. Basically understanding their needs and fulfilling their needs throughout the implementation will ensure broader success of the project. As the figure A depicts, higher the stake holder engagement better the project success and lower the engagement the success rate deteriorate.

Example : Let us take a marriage function as a project and key stake holders are groom and bride whose influence level can affect the successful completion of marriage function. Incase if either groom or bride is not been informed well in advance and not managed their expectations, there are more likely chances that the marriage function can get stopped or cancelled in mid-way thru or at the final stage.

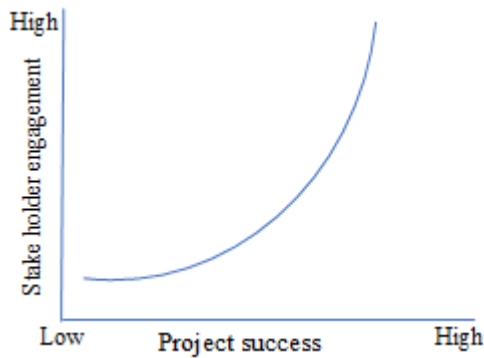


Fig A

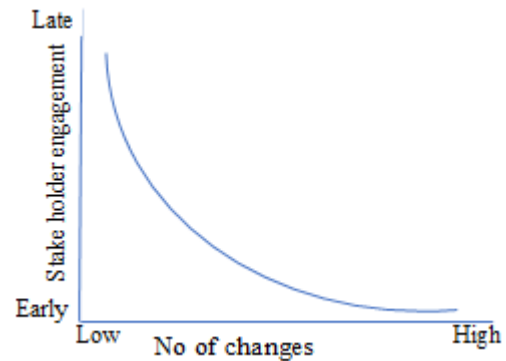


Fig B

### 7. EFFECT OF STAKE HOLDER ENGAGEMENT VS NO OF CHANGES IN THE PROJECT

Role of stake holder' effective engagement will have significant impact on number of changes in the project. Earlier the engagement, lower the changes in project. For example, in a new product development project for a particular category of customers, the end users were completely ignored till the detailed design and first level testing is over. When they were brought in after that, 50% of their requirements were not in the product. Then the product was re started again from the beginning . This has caused significant delay in launching the product at right time and incurred higher development cost.

The figure B depicts that lower the stake holder engagement, higher the changes are and higher engagement will result in lower changes in project. When there is an early involvement of stake holders, then the level of changes are very low and delayed engagement of stakeholders leads to higher number of changes. Generally stake holders influence will be higher at earlier stages of the project and hence their early involvement will help to minimize the cost impacts and schedule delays arising out of various changes or requirements.

### 8. WHAT IS STAKE HOLDER MANAGEMENT

It is a process of identifying and engaging the stakeholders for the benefit of the project through out the project right from its inception to its completion. Basically this need to be done again and again and again. Since the project environment is always dynamic and anything can change at any time, stake holder are not exemption. There can be many new stake holders gets engaged and some of the stake holders may get disengage . Hence knowing their level of influence ,preferences towards the project is paramount

### 9. PROCESS OF STAKE HOLDER MANAGEMENT

Stake holder management is a set of processes required to identify the people, groups or organizations that could impact or be impacted by the project outcomes, then to analyse their expectations and based on that developing appropriate strategies for keep them engaged in project decisions and execution. There are 4 key steps to be followed and the flow is defined in Fig C below.

1. Capture all stake holders
2. Establish strategy for engagement
3. Execute strategy and Manage
4. Track and Course correct Re iterate

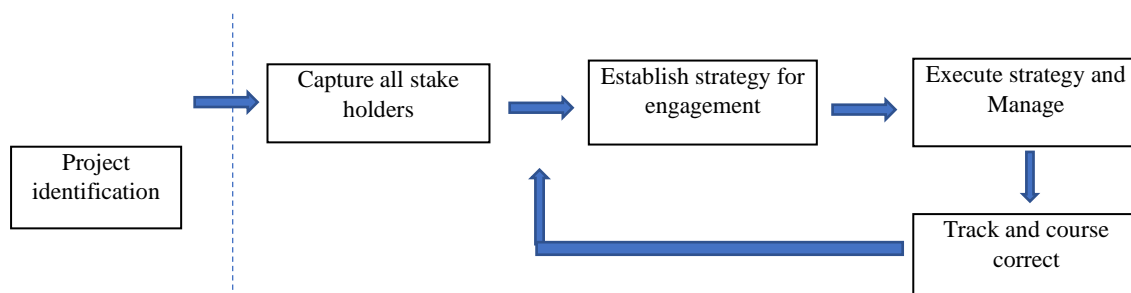


Fig C- Stake holder Management process

### 9.1 Capture all stake holders

This is the first step in management of stake holders and this has to be done right at the beginning of the project immediately after the identification of the project. There are various methods such as questionnaire, brainstorming, expert opinion are available to identify the stake holders. The stake holders can be inside and also outside. The identification of stake holders cannot end at the initial stage of the project or after start of the project. This will be done on an ongoing basis until the project is formally closed out. High level deliverables or outcome of the project will provide an insight about capturing of all relevant stake holders.

### 9.2 Establish strategy for engagement

Once all the relevant stake holders are captured for the specific project, then the next step is to understand their role and their level of influence and interest on a specific project. The more effective understanding on these will better the stake holder engagement on the project. Failing to do so will set a wrong reference and then the strategy. The below illustrated table 1 is a stake holder register which describes how the stake holder analysis to be done and the strategy to be defined.

Table 1

| Stake holder | Role in project  | Requirements  | Influence levels | Interest levels |        |        | Engagement strategy -expectations |         |         |            |         |
|--------------|------------------|---|------------------|-----------------|--------|--------|-----------------------------------|---------|---------|------------|---------|
|              |                  |   |                  | Low             | Medium | High   | Isolated                          | Against | Neutral | Supportive | Driving |
| David peter  | Funding approval | Weekly update<br>Gate sign offs<br>Change approvals                 | Low              | Green           | Yellow | Yellow |                                   |         |         |            |         |
|              |                  |   | Medium           | Yellow          | Yellow | Red    |                                   |         |         | C, D       |         |
|              |                  |   | High             | Yellow          | Red    | Red    |                                   |         |         |            |         |
| David peter  | Sprint approval  | Gate sign offs<br>Daily updates<br>Risk reviews<br>Change approvals | Low              | Yellow          | Yellow | Yellow |                                   |         | C       |            | D       |
|              |                  |   | Medium           | Yellow          | Yellow | Red    |                                   |         |         |            |         |
|              |                  |   | High             | Yellow          | Red    | Red    |                                   |         |         |            |         |

C= current level , D= expected / desired level of engagement

**Isolated** - Stake holders who are not aware of the project and its impacts.

**Against** - Stake holders who are aware of the project and its impact but may be showing resistance or create hurdles

**Neutral** - Stake holders who are aware of the project but neither extend support nor be an hurdle

**Supportive** - Stake holders who are aware of the project & its impact and extends full support for the success

**Driving**- Stake holders who are aware of the project and its impact and very actively driving , supporting the success.

All the Reds describe that those stake holders require top most attention and are need to be engaged effectively for the success of the project then followed by yellow category and then Green. Also the table depicts the stake holders present level of engagement against the desired level of engagement. This mapping to be done for the entire stake holders and this is not an one time exercise. This need to be a live document to keep updated as the project progresses.

### 9.3. Execute strategy and Manage

The objective of managing the stake holder engagement is working with all the stake holders identified and ensuring that their needs are fulfilled in terms of communication, deliverables etc. By doing this, the project leader can enhance the positive /favourable support and minimize the negative support / resistance from stake holders. Generally this step cannot be an one time effort. It is an iterative till the project closure.

Ignoring the stake holders expectations can significantly affect the project progress as well as its success. For example, if a finance team stake holder requires periodic updates on the project financial results and if that is not been provided to their level of expectation, then the stake holder can utilize their level of influence and reduce their level of participation which can affect the further funding to the project.

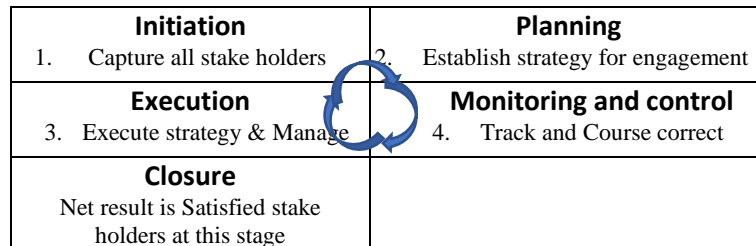
### 9.4. Track and course correct

A project manager have a close eye on all stake holders to see their level of involvement and contribution towards the project and record it in the stake holder register . Accordingly stake holder management plan to be revisited to implement appropriate strategies for keeping the stake holders involvement to the expected level. Hence this is a key step in stake holder management.

**Reiterate**

When all the above steps are done effectively, then that will lead to some inferences / conclusions against the expected results. Accordingly the cycle shall start either to maintain the same condition or to improve the condition to address the gaps. As like Deming cycle, every Plan, do, check, Act starts and end with Plan.

**10. INTERACTION OF STAKE HOLDER MANAGEMENT PROCESSES WITH PROJECT MANAGEMENT PROCESS GROUPS**



**11. CONCLUSION**

Generally majority of the projects get failed in spite of all critical success factors were taken care. The reason being complete neglecting of stake holders. Hence It is strongly recommended that stake holder identification and their effective engagement in a project will take it up to a greater heights. Ignoring stake holders will impose huge penalties on the project and in turn to the organization as well as to the project team. Earlier the identification and engagement is always better.

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