Stakeholder Engagement

Introduction

This is a paper about stakeholder engagement, and why it's important to project management. It outlines what stakeholder engagement is (and is not) before describing a number of arguments underlining the need for us to take it more seriously. It is based on theory, practice and academic thought, and if you're interested in finding out more about these ideas or want to know about the evidence supporting specific points, please contact me and I will be glad to help.

In the Beginning…

A project is a set of co-ordinated activities that take place over a certain time frame to deliver a desired outcome[1]. How do we know that the outcome is 'desired'? Because a person, or group of people, expresses this desire. Projects are inextricably linked to peoples' future needs – perceived or otherwise – and as such we are forced to consider our stakeholders.

So what is a 'stakeholder'? I like the definition from one of the earliest proponents of stakeholder theory, Ed Freeman. He describes a stakeholder as any group or individual who can affect or is affected by the achievement of a corporation's purpose[2]. So stakeholders *in projects* are any group or individual who can affect or are affected by the project's vision and outcomes.

Sometimes it is easy to determine who the project stakeholders are, but other times groups get forgotten. For instance, delivering a new invoicing system to the finance function of a company may appear to only impact the accountants. But you may well find that other company functions are affected – including the customers.

Some people believe that project stakeholders are anyone who *thinks* they can affect or are affected by the project's vision and outcomes. Whether you hold with this or not, project managers need to ensure that their stakeholders are listened to, receptive and supportive (where possible). That is why we talk about 'stakeholder engagement' rather than 'stakeholder management'. People, in my experience, don't take kindly to being 'managed' by external parties who are outside their typical frame of reference.

Not Just About the Money

In the twentieth century, a lot of people thought that there was only one important stakeholder group – shareholders, or people who paid for and owned the project. This thinking made stakeholder engagement much easier – you only had one group of people to focus on. Now we know that it is not enough to ensure a project is delivered to budget. What if the focus on cost has meant that the project's outcomes will damage the environment? What if corners are cut on health and safety, or you find that suppliers are taking back-handers? What if the funding organisation loses money on the project, but learns a lesson that is even more valuable?

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[1] APM, 2004, PMI, 2004, BS 6079, 2000

[2] Freeman, R.E. "*Strategic Management: A Stakeholder Approach*", Cambridge University Press, 1984.

The recent global financial crisis showed us that a focus on maximizing profits for shareholders is outdated and unhelpful. Projects can create, or destroy, value for customers, suppliers, employees, communities and financiers. All these groups are stakeholders who need to be engaged. The task for the modern project manager is to manage *for* stakeholders and create value for as many of the groups as possible by ensuring that their interests are lined up.[3]

How Rational Are You?

It's part of human nature to try to simplify things – like wanting to zero in on the 'key stakeholder' or project sponsor. A whole body of economic thinking is dependent on the concept of the 'rational man', and the idea that people respond to situations in the way that brings them the most benefit. However, we now know that people sometimes act against their best interests – knowingly and unknowingly. Worse still – people's behaviour and level of engagement can change over time. Just as people are not rational economic beings, some stakeholders are hard to identify at the beginning of a project, and don't show themselves until later. Others don't know what they want out of your project and change their mind. People change job, and some are only involved in one specific phase of a project.

However hard we try and make project management about absolutes, and deliver training, templates and tick boxes to 'ensure' successful project delivery, the changing behavior of emergent stakeholder groups will require a flexible model that responds and adapts. Such a model is not easy to produce, and one of the reasons why stakeholder engagement is so important to project management.[4]

Undeniable Factors That Highlight the Importance of Project Stakeholder Engagement

Different Voices Different Tunes

Not only are different stakeholder groups sliding in and out of focus, but also they are often following competing scripts. A Russian philosopher[5] wrote about multiple stakeholder voices in a project speaking at the same time and used the word 'polyphony' – a musical term which means there is more than one melody being played. Our ability to hear these competing melodies is not great, yet if we focus on just one we are not hearing the musical 'big picture'. We must therefore train ourselves to be able to listen to multiple voices and resist the lure of oversimplification.

Take the example of a large London construction project making good use of European labourers. For the consultants, bankers, and project board the tune is one of

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[3] "Every business creates, and sometimes destroys, value for customers, suppliers, employees, communities and financiers. The idea that business is about maximizing profits for shareholders is outdated and doesn't work very well, as the recent global financial crisis has taught us. The 21st Century is one of *managing for stakeholders*. The task of executives is to create as much value as possible for stakeholders without resorting to tradeoffs. Great companies endure because they manage to get stakeholder interests aligned in the same direction." Ed Freeman

[4] Peter Checkland's flux and Schopenhauer's aims and fortune diagram (from '*Happy*' by Daren Brown)

[5] Mikhail Bakhtin

milestones, risk management and benefits realisation. On another level, some of the main contractors may be singing the notes of enterprise culture, while for the migrant sub-contractors the melody may be one of harsh, Eastern-European capitalism[6]. The project manager's responsibility is to draw these polyphonic musical themes together without oversimplification so that all the stakeholders can feel engaged.

Where is the box?

In the late 1960s 'out of the box' thinking started being used to encourage people to seek solutions outside of their usual thinking patterns.[7] Countless workshops and brainstorming sessions since then have repeated the phrase, hoping to squeeze more creativity from the attendees. But today I'm not sure that there is a box to break out of. In the last 50 years the old ideas of physical space have been demolished by the cyberspace world that is becoming so familiar. At the same time, instant information and access to travel have made the 1960s ideas about 'time zones' irrelevant. We live in a complex world where trying to find the cause for something as shattering as the global economic meltdown is nearly impossible. Even our ability to perceive what is real is being vigorously challenged by virtual reality and CGI[8].

The smashing of 'the box' means that our twentieth century view of stakeholders needs to be rethought. There are many more stakeholders to consider now, and their ability to engage and give voice will only grow.

Everyone Knows Everything

Not only has the box been smashed, but the pace of change is accelerating every year. One of the world's top engineers claims that if the current rate of progress continues its upwards curve, the twenty-first century will be like 20,000 years of progress packed into 100 years[9]. Part of this acceleration is driven by a universal access to knowledge. For thousands of years we have looked to our leaders to give us direction and tell us where we are going. Rigid organisation structures supported a world in which only the people at the top of the pyramid, or outstanding visionaries, had access to knowledge. Now, the complete works of William Shakespeare are available free to anyone with an internet connection or 3G phone[10].

If everyone has access to all knowledge, then our working patterns and education models will have to change. For a project manager, it will mean that your stakeholders are much more difficult to 'manage', and the need for effective engagement increases. It is not about trying to hide information from stakeholders, but ensuring that the story is in line with their desires and expectations.

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[6] Stuart Green – *The Management of Projects in the Construction Industry: context, discourse and self-identify*
[7] Edward do Bono
[8] Luc de Brabandere, *The Forgotten Half of Change*
[9] Ray Kurzweil, Director of Engineering at Google.
[10] Frederick Laloux, *Reinventing Organisations*

The Complexity Rope

The days when all project managers had to think about was the iron triangle of time, cost and scope are long gone. Complexity within PM has grown year on year because of three giant forces that wrap around each other like a thick rope. Massive technological advances in mobile devices, data storage and real time communication means that more project decisions have to be made faster. At the same time, the global marketplace means that our interconnections with each other are growing. Interconnectivity is the father of complexity. Thirdly, the pressures that we are putting on Mother Nature mean that we cannot predict the outcomes for the environment. With massive population growth there are increasing demands being put on our natural resources including water, forest and agricultural assets[11].

The three forces of technology, the market and nature are all independently powerful, but when combined into a thick rope they become even more powerful. Our lack of ability to predict the future, which is changing so fast, makes complexity a given. Projects will be set up to try to tame some of this complexity, and the engagement of stakeholders will be a key factor in whether or not they are successful. We cannot be certain how things will evolve, and therefore need to take people with us on a journey.

What Causes Project Risk?

If your stakeholders are engaged and supportive of the project vision and outcomes, then a lot of your risks are being managed. Politics, communication issues and people hostile to change will be the cause of most of the risks in your log. If you can reduce these things, then your project is more likely to come in on budget and to time. As project managers this is surely something that we want to focus on. Especially with the increasing complexity surrounding our projects.

I frequently see organisations that try and separate out the 'hard' factors in project management (like risk management) from the 'human' factors (like stakeholder engagement). They have project managers who deal with the hard factors, and change managers who deal with the human ones. With stakeholder engagement underpinning so much of risk management, I would argue that strong collaboration between project manager and change manager is an essential success factor for projects that are set up in this way.

Building the Case

The Infrastructure Boom

Megaprojects are large projects with huge budgets, vast complexity and long-lasting impact on the economy, the environment and society[12]. And they are on the increase. A combination of available labour, cheap resource and slack in global supply chains means that more and more are being commissioned all over the world, but particularly in China and the Middle East[13].

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[11] Thomas Friedman, *Thank You For Being Late*
[12] Brookes & Locatelli, 2005
[13] Atif Ansar, Oxford MPM Conference 28 February 2018

The thing about megaprojects is they have much larger stakeholder networks than 'normal' projects. They are typically large infrastructure projects that affect thousands of customers, and are supported by governments, large corporations and smaller contractors. Their environmental impacts will be visible and hotly debated. For megaprojects, failure to deliver will affect the share price of companies and possibly the future of political parties and even countries. The Press will be involved. Stakeholder engagement in megaprojects is not a 'nice-to-have'. It is an essential success factor that needs to be top of the project manager's agenda.

Project Success and Delivering Great Projects

What makes a project 'great'? Many people have asked this question but a major study[14] came to the conclusion that great projects do more than deliver to time, cost and scope. They deliver something of strategic importance to the host organisation. They contribute to the well-being of the organisation's customers and users. They break new ground and have a major impact on their sector. They act as a benchmark for other projects coming after them.
The authors of the study found that there were a set of common characteristics shared by these 'great' projects. All seven of these characteristics have a direct relationship to stakeholder engagement.
There are other studies that back these findings up. Two in particular[15], that look at project success factors, found that effective, two-way communication and user involvement featured prominently in most of the research papers that they looked at. We all want our projects to be successes and, ideally, be great. Can we afford to neglect stakeholder engagement, when it is coming through so strongly as being a factor in both of these states?

My Experience and the APM

I gift some of my working time to the Association for Project Management in the UK. Part of what I do involves hosting events and I have consistently found over the years that stakeholder engagement is a hugely popular topic for project managers. Hard working professionals, many with engineering backgrounds, are seeing the value in giving up their leisure time to come and hear someone talk about the human side of project management.
I have also helped to provide tools and content for the section on the association website that focuses on stakeholder engagement. We have seen hard evidence that visitors want more information on this area, and the pages are amongst the most visited on the site with between 10,000 and 15,000 views per month.
A recent webinar on stakeholder engagement attracted more than 1,000 registrations. Levels of interest like this do not come from idle curiosity. What we are witnessing is a statement from the project management community demanding more attention on this area.

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[14] What Great Projects Have in Common; Dov Dvir & Aaron Shenhar, *MIT Sloan Management Review*, Spring 2011, Vol. 52, No. 3
[15] J. Fortune & D. White – *Framing of Project Critical Success Factors by a Systems Model* 2006 and N. Nasir & S. Sahibuddin – *Critical Success Factors for Software Projects: A Comparative Study* 2011

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This statement mirrors my own personal experience as a project manager. In over twenty years of working on a variety of projects, I have found stakeholder engagement to be a vital contributor to project success. While working abroad on a project that launched a single energy market across two countries, the widely attended stakeholder forum became the glue that held the thing together. Another time, working on a large property project, I found that the face-to-face engagement with affected parties was more important to effecting the desired change than the financial projections being done at head office.

What your Heart Says

The expression 'two heads are better than one' contains a truth. Evidence exists to show that some complex problems are better solved by a group mind than by any one individual. Collective intelligence leads to better solutions than a singular decision. For us to be able to access this great wealth of shared knowledge, we need to be able to engage our stakeholders. The alternative is being alone, making all the decisions and bearing all the responsibility. Working collaboratively helps to share risk across the group.

Projects and Happiness

A friend of mine from Montreal[16], has spent many years researching *why* we do projects and arrived at an interesting conclusion. In interviews and workshops, lots of people say things like "We do projects to improve our life" or "I do projects that allow me to grow", but when you drill down further on this it's clear that what they mean is "we do projects to be happy". Most people, most of the time, want to and do accept responsibility for the effects of their actions over others. Focusing our project engagement on a narrow group of stakeholders is not acting on this responsibility. We need to consider *all* the project stakeholders in our bid to create happiness. Having this approach makes the work that we do and the projects we deliver more sustainable. Building on this thought, we need to think about the basic project management urge to create a more equal society. How much of the stuff that we build is intended to make the world a better place? How can we hope to achieve this if we are not considering and listening to all the people that are connected to our project?

Trust in Me

Delivering projects for the greater good implies a duty of care towards our project stakeholders. We can't hope to fulfil this duty of care if we're not listening. Our obligation is to win the trust of those around us and demonstrate that we are the right people to be delivering the improvements that they desire. People see through spin and 'fake news' and pretending to be something that we're not takes precious energy away from what we should be doing. Surveys show[17] a collapse in Trust globally. People are worried about their jobs and concerned that immigration and artificial intelligence make their world more insecure. The global recession of the last decade created a crisis

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[16] Claude Emond
[17] Edelman Trust Survey 2018

in confidence in our leaders, and we are less and less likely to believe what we read in the Press.

Against this backdrop the project manager is expected to deliver successful change. I hope I have shown in this paper that we cannot succeed if we don't fully engage with our stakeholders. The art of project management lies not just in our ability to manage technicalities, but also in our wisdom to reach out to human beings and find connection[18]. A great Chinese teacher[19] once said that a state cannot survive without the confidence of its people. I say that a project manager cannot be successful without winning the confidence of their stakeholders. This confidence is earned through effective stakeholder engagement.

About the author

Benedict Pinches has been a programme management contractor for over 20 years and has worked in sectors as diverse as energy, telecoms, technology and education. He specialises in the organisation design for large business transformations, but has also led property consolidation programmes and strategic PMO set ups.

In 2011, he was a graduating student in the first cohort of the University of Oxford's Masters degree in Major Programme Management (MMPM), which has led to a parallel career as a researcher and public speaker. Benedict uses design thinking and soft systems methodology, to uncover the purpose and vision for a programme, and focuses his research on benefits realisation and stakeholder engagement.

He is managing director and founder of technology start-up Oxford Major Programmes. Sitting on both the Research Advisory Group and the Volunteer Steering Group for the Association for Project Management, as they negotiate their journey into a world of chartered project professionals.

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[18] Gisela Labouvie-Vief

What makes the artist, the poet or the scientist wise is not expert technical knowledge in their respective domains but rather knowledge of issues that are part of the human condition. Wisdom consists, so to say, in one's ability to see through and beyond individual uniqueness and specialisation into those structures that relate us to our common humanity.

[19] Confucious