

Why is stakeholder management so difficult?

*Dr Lynda Bourne, PMP, FAIM
Melbourne Australia*



1

© Stakeholder Management Pty Ltd

Today

- **The importance of stakeholders to success of any enterprise**
- **Some hints on 'advising upwards'**
- **The 'zero cost' of stakeholder engagement**



2

© Stakeholder Management Pty Ltd



Scenes from T5 opening



3

© Stakeholder Management Pty Ltd

**Heathrow T5 Construction –
best ever!!**

**Prevented and managed
conflicts between all people
involved**

Opening – disaster

**Neglected training and
preparation of staff**



4

© Stakeholder Management Pty Ltd



House of Commons enquiry (2008)

- **Willie Walsh: CEO then and now**
- **'steam-rolled' implementation**
- **Staff and facilities not ready**
- **Industrial relations issues**



5

© Stakeholder Management Pty Ltd

**So what has this got to do
with stakeholders?**



6

© Stakeholder Management Pty Ltd



Who are stakeholders?

- **Individuals and groups who may impact the work or its outcomes**
- **OR**
- **May be impacted by the work or its outcomes**
- **This applies to ANY activity that an organisation may do – includes projects**



7

© Stakeholder Management Pty Ltd

**Stakeholders have
a 'stake':
and expectations**



8

© Stakeholder Management Pty Ltd



Interest

A person or group is affected by a decision related to the work or its outcomes



9

© Stakeholder Management Pty Ltd

Rights

- To be treated in a certain way or to have a particular right protected

- **Legal right:**

- Occupational Health and Safety
- Privacy

- **Moral right:**

- Heritage protection activists
- Environmentalists



10

© Stakeholder Management Pty Ltd



Ownership

- **A person or group has a legal title to an asset or a property:**
 - *Resumption of property for road works*
 - *Intellectual property*
 - *A worker's right to earn a living from knowledge*
 - *Shareholders' 'ownership' in an organisation*



11

© Stakeholder Management Pty Ltd

Knowledge

- **Specialist knowledge**
 - *Team members*
 - *Business analysts*
 - *Technical specialists*
- **Organisational knowledge**
 - *Organisational culture*
 - *Political structure*
 - *Power relationships*



12

© Stakeholder Management Pty Ltd



Contribution

- **Supply of resources**
 - *People, material*
- **Funding**
- **Advocacy for**
 - *Work objectives*
 - *Work success*
- **Buffer**
 - *Between organisation leadership and teams*



13

© Stakeholder Management Pty Ltd

Why stakeholders matter

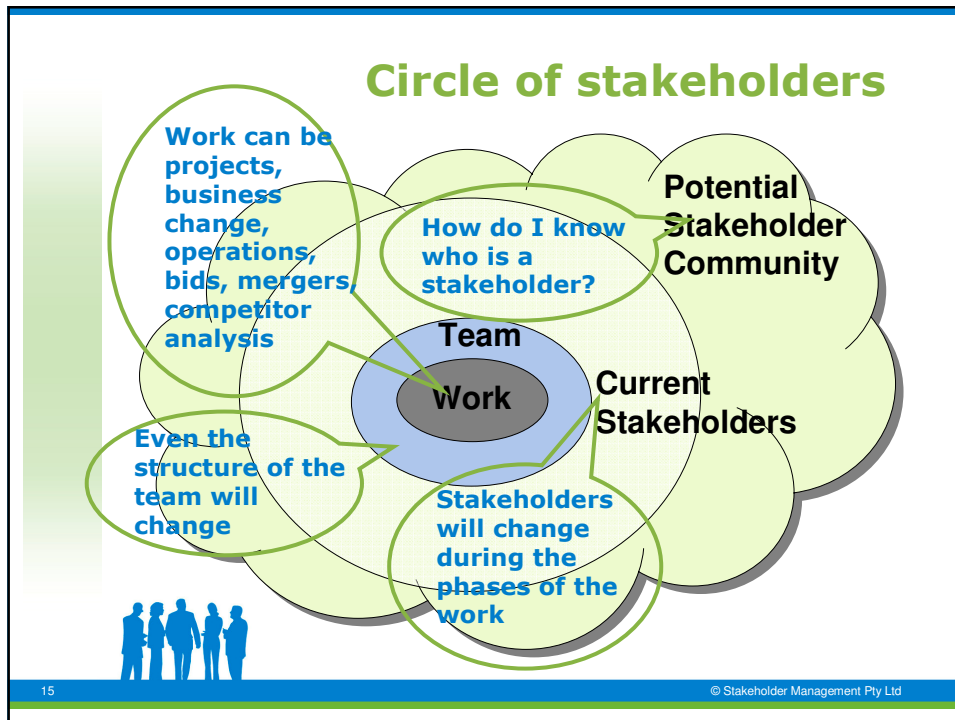
- **They give but they also take away!**
 - *Money*
 - *People*
 - *Support*
- **Their influence and level of involvement may fluctuate**



14

© Stakeholder Management Pty Ltd





98% risk are people related

16 © Stakeholder Management Pty Ltd



The methodology

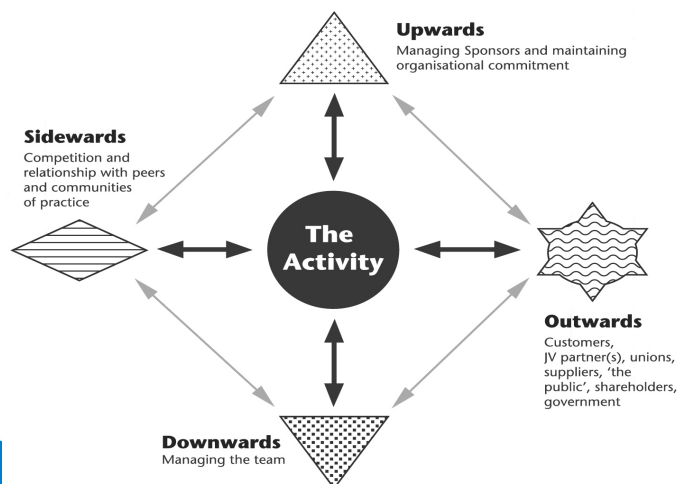
- **Step 1: *identify*** all stakeholders
- **Step 2: *prioritise*** all stakeholders
- **Step 3: *visualise*** the community
- **Step 4: *engage*** all stakeholders
- **Step 5: *monitor*** effectiveness of the communication process



17

© Stakeholder Management Pty Ltd

Where do you look for stakeholders?



18

© Stakeholder Management Pty Ltd



Beware of stakeholder myopia



19

© Stakeholder Management Pty Ltd

Mutuality

Stakeholder support can't be assumed

- **Stakeholder identification includes**
 - *How/why they are important to the project*
 - *What project success means to them*
- **This is *mutuality*:**
 - *How the stakeholder is important to the project*
 - *What the stakeholder requires from the project (expectations)*



20

© Stakeholder Management Pty Ltd



Not all stakeholders are equal

- **A stakeholder's relative importance is assessed by considering:**
 - **Power:** *is their power to influence significant or relatively limited ?*
 - **Proximity:** *are they closely associated or relatively remote from the project ?*
 - **Urgency:** *are they prepared to go to any lengths to achieve their outcomes?*



21

© Stakeholder Management Pty Ltd

Stakeholder Engagement

- **The appropriate level of interest and support (engagement) of key stakeholders is vital**
- **An engagement strategy will depend on *attitude*:**
 - *What support (or opposition) will each stakeholder provide?*
 - *How receptive will they be to messages about the project?*



22

© Stakeholder Management Pty Ltd



Communication: A Dance



It takes two to tango!

23

© Stakeholder Management Pty Ltd

Communication

- **The (only) tool for building and maintaining relationships**
- **Exchange of information or ideas**
- **Successful communication :**
 - *75%+ of your time*
 - *Affected by power differences*
 - *Intention of the communication*
 - *How we feel at the time*



Culture, 'realities', personality

24

© Stakeholder Management Pty Ltd



One size does NOT fit all!!

**The message or information
must meet their needs
(expectations)**

**NOT WHAT WE THINK THEY
SHOULD HAVE**



25

© Stakeholder Management Pty Ltd

**Remember the
CEO of British
Airways?
There is at
least one
'Willie' in every
organisation**



26

© Stakeholder Management Pty Ltd



The T5 situation

- **CEO very demanding**
- **His expectations in conflict with other stakeholders**
- **His 'urgency' forced team to ignore needs of other stakeholders**
- **Staff morale low, ongoing resistance to management**
- **Management ignored staff needs**



27

© Stakeholder Management Pty Ltd

The difficulty of stakeholder management

- **Many enterprises face these issues**
- **Demanding powerful stakeholders**
- **Inability to balance needs of all stakeholders**
- **'urgency' created by boss**
- **Reduces time and energy for important communication efforts**



28

© Stakeholder Management Pty Ltd



Why is managing upwards difficult?

Managers:

- Are busy people and need to be actively and continuously engaged
- Do not like surprises
- Need information: but IT **MUST BE INFORMATION SPECIFIC TO THEIR NEEDS**



— How do we know their needs



29

© Stakeholder Management Pty Ltd

Difficult conversations

- Takes time to understand stakeholders and their expectations
- People are not consistent – they change their opinions and support
- You must continually provide information and **SEEK** information to maintain good relationships
- Power of the team + flexibility



30

© Stakeholder Management Pty Ltd



Communicating to senior stakeholders

- **What they want** (*expectations*)
- **The information they need**
 - *and how they need it*
- **Their decision making styles + culture and personality**
- **Whether they trust you**
 - *your credibility and reputation*
- **How they are measured**



31

© Stakeholder Management Pty Ltd

Management is 'driven' by financial measures

There is a general reluctance to invest time and resources in stakeholder engagement



32

© Stakeholder Management Pty Ltd



The 'zero cost' of stakeholder engagement



33

© Stakeholder Management Pty Ltd

**In the 80s
management in organisations
thought quality took too much
time...**

**Now the same management
culture thinks stakeholder
engagement takes too much
time...**



34

© Stakeholder Management Pty Ltd



The \$0 cost

- **The same as '\$0 cost of quality'**
 - *The cost of implementing quality management = savings in rework*
- **Time and cost of managing stakeholder expectations**
 - *greater than cost of rework or failed projects such as T5*



35

© Stakeholder Management Pty Ltd

Gulf of Mexico: BP's latest disaster



The cost of human life

The cost to BP's reputation AND BOTTOM LINE



The cost to environment



The cost to human livelihood

36

© Stakeholder Management Pty Ltd



**Cost-cutting management
culture over years**

**Equipment maintenance and
staff safety included in
mandatory cost reductions**

**BP's safety record 'worst' in
industry**



37

© Stakeholder Management Pty Ltd

**In the pursuit of
'shareholder value'
only \$\$\$ were considered:**

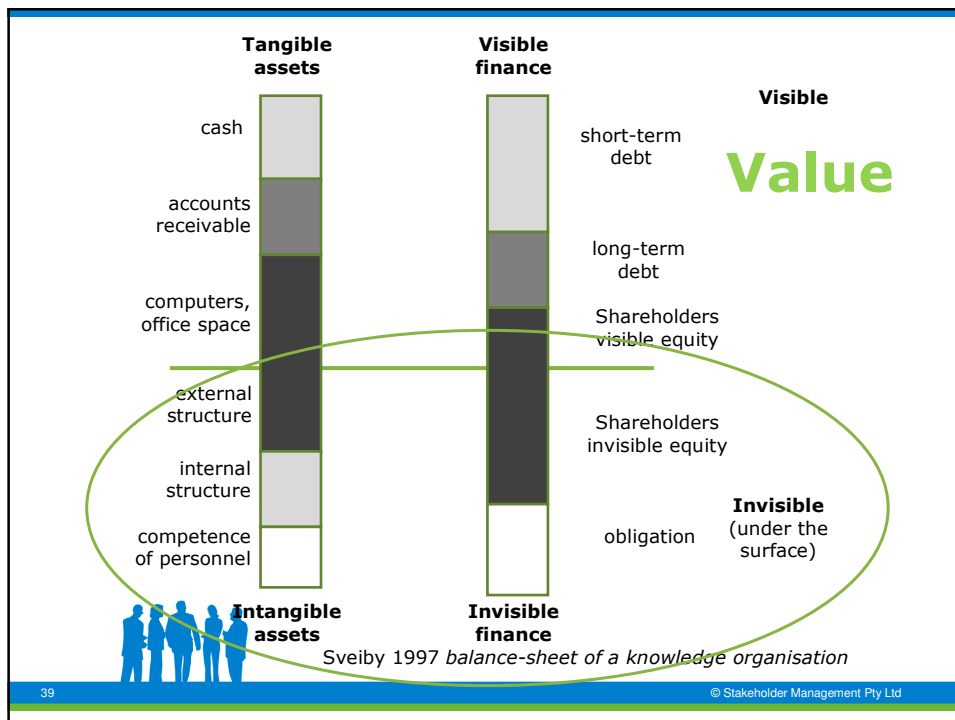
There are other types of 'value'!



38

© Stakeholder Management Pty Ltd



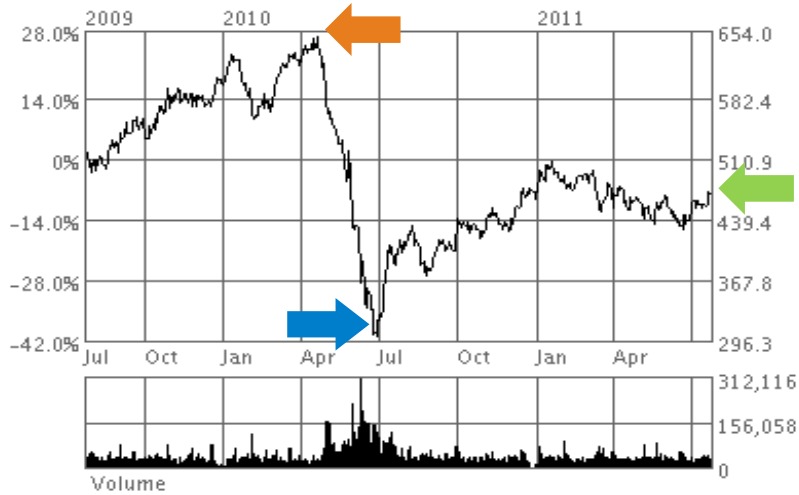


SHAREHOLDERS ARE NOT INEVITABLY...

THE MOST IMPORTANT STAKEHOLDERS



What shareholder 'value' really means



'Failure dollars' spent on products and services that do not meet customer requirements

"The cost of poor quality make up as much as 15% to 30% of all costs"

(De Feo 2011)



~~'quality is free'~~
**stakeholder engagement is
'free'**

Cost of investment

Cost of rework

43 © Stakeholder Management Pty Ltd

In conclusion

For success

- **Know who your important stakeholders are**
- **Ensure that 'upwards' stakeholders' needs are understood and met**
- **Help them make good decisions**
– *Focus on people!!!*

44 © Stakeholder Management Pty Ltd



Contact Information

**lyndab@stakeholder-
management.com**

+61396861424

Follow me on twitter: @lyndashm

Join me on facebook or LinkedIn



45

© Stakeholder Management Pty Ltd

Preguntas?



46

© Stakeholder Management Pty Ltd

