Why is stakeholder management so difficult?

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Today

• The importance of stakeholders to success of any enterprise
• Some hints on ‘advising upwards’
• The ‘zero cost’ of stakeholder engagement
Scenes from T5 opening

30,000 pieces of luggage lost

Passengers’ journeys affected

BA’s reputation tarnished

Heathrow T5 Construction – best ever!!

Prevented and managed conflicts between all people involved

Opening – disaster

Neglected training and preparation of staff
House of Commons enquiry (2008)

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

So what has this got to do with stakeholders?
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

Stakeholders have a ‘stake’: and expectations
**Interest**

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

**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
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

Knowledge

• Specialist knowledge
  – Team members
  – Business analysts
  – Technical specialists

• Organisational knowledge
  – Organisational culture
  – Political structure
  – Power relationships
Contribution

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

Why stakeholders matter

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

Work can be projects, business change, operations, bids, mergers, competitor analysis

How do I know who is a stakeholder?

Even the structure of the team will change

Current Stakeholders

Potential Stakeholder Community

Stakeholders will change during the phases of the work

Team

Work

98% risk are people related
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

Where do you look for stakeholders?

- **Upwards**
  - Managing Sponsors and maintaining organisational commitment

- **Sideways**
  - Competition and relationship with peers and communities of practice

- **Outwards**
  - Customers (partners), unions, suppliers, "the public", shareholders, government

- **Downwards**
  - Managing the team
Beware of stakeholder myopia

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)
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?

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?
Communication: A Dance

It takes two to tango!

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
One size does NOT fit all!!

The message or information must meet their needs (expectations)

NOT WHAT WE THINK THEY SHOULD HAVE

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

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
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

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
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**

Management is ‘driven’ by financial measures

There is a general reluctance to invest time and resources in stakeholder engagement
The ‘zero cost’ of stakeholder engagement

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

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

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**
Cost-cutting management culture over years

Equipment maintenance and staff safety included in mandatory cost reductions

BP’s safety record ‘worst’ in industry

In the pursuit of ‘shareholder value’ only $$$ were considered:

There are other types of ‘value’!
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)
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!!!
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Preguntas?