

# **Best Practices for Managing & Engaging Project Stakeholders**

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## **INTRODUCTION**

Effective project stakeholder management and engagement is acknowledged as a critical success factor on virtually every project. These assume heightened importance especially for projects typically undertaken in the category of large and complex construction and civil infrastructure development schemes which tend to have numerous and diverse stakeholders. Effective project stakeholder management and engagement offers several significant benefits including reducing negative risks to projects, enhancing the design and planning quality and execution efficiency of projects, and often helping bring about a desirable win-win situation for both the projects as well as their many stakeholders.

Awareness about the importance of good project stakeholder management and engagement has increased precipitously amongst project practitioners in recent years and many projects in construction and civil infrastructure development and other fields are not only applying sound established practices but are also experimenting with innovative ones. However, inadvertently or otherwise, many projects still exhibit serious stakeholder management and engagement shortcomings often resulting in mutually damaging and avoidable consequences for projects as well as their stakeholders. Hence, it is important to research existing best practices dealing with stakeholders in addition to proposing new ones and to generate and disseminate awareness about them to a wide audience of project practitioners and decision-makers. Doing so may expedite application of such practices on projects and thus gradually and significantly improve the overall quality of the management and engagement of their stakeholders.

In this paper the authors present and discuss ten project stakeholder management 'best practices' for managing stakeholders on projects. The focus is mainly, not exclusively, on the primary stakeholders. Some of these best practices came to light in discussions with project practitioners conducted over the time period 2018-19 as part of the authors' collaborative research program on the management and engagement of stakeholders on projects, others stem from the personal reflections of the authors based on their knowledge of and experience with large and complex projects accumulated over a period which between them collectively spans several decades. Applied collectively and with sincerity, and if consolidated and sustained over time, the best practices discussed in this paper can support projects immensely through enhanced performance efficiency and a higher level of benefits realization after their completion.

Although the practices are applicable in the context of any category of projects which are being undertaken anywhere they are especially useful for managing stakeholders on large and complex projects as are typically encountered in major construction and civil infrastructure development schemes. Such projects normally have a large number of primary stakeholders – i.e. those stakeholders which are actively participating in the project and have contractually assigned roles and responsibilities in it – some of whom are individuals serving in an independent capacity while others are organizations. All these entities work collaboratively combining their inputs and expertise for the purpose of undertaking the project. As knowledge, appreciation and the applied standards of stakeholder management and engagement may differ from stakeholder to stakeholder it is certainly in the interests of the project to not only ensure that all its primary stakeholders are fully cognizant of the criticality of effective stakeholder management and engagement continuously throughout the project life-cycle but also to proactively implement a set of practical measures which can enhance the quality of stakeholder interaction especially with a view towards optimizing collaboration and enhancing performance as well as to keep conflicts and issues between stakeholders to a minimum over the project life-cycle.

The ten best practice stakeholder management measures proposed in this paper were identified from the authors' collaborative research on the subject of project stakeholder management and engagement, now running in its sixth year, and through their interviews of project managers and stakeholders exercising managerial functions on projects in the US and overseas. It is important to note that while each of these measures if applied individually can lead to efficiency gains for the project, their collective, wholehearted and sustained application over time can bring about a very significant and observable positive impact on the project. In this case it would be no exaggeration to state that expected benefits for both the project and its primary stakeholders would exceed any cost incurred thereon.

The measures are introduced and briefly discussed below. Their order of appearance here is arbitrary and is not intended to signify their level of importance. Some measures are quicker and easier to implement than others. However, all measures complement each other well.

### **Measure 01: Project Stakeholder Management Standard**

Project management is a powerful and still evolving subject discipline. Over a period of many years and even several decades, the systematic study by academics, researchers, project management associations, consultants, and numerous others, of

countless projects undertaken in diverse categories across the globe have generated a deep knowledge and understanding of how projects can and should be professionally managed. With almost every passing year fresh insights and new concepts and ideas are surfacing which are contributing towards improvement of, inter alia, the processes, tools and techniques, and the standards needed to undertake projects more efficiently and effectively and reduce the negative risks facing them in increasingly complex environments.

Standards in particular have progressed immensely in the recent years. Most organizations appear to apply 'off-the-shelf' standards on their projects – such as the Project Management Institute's PMBOK, the Association of Project Management's APMBOK, and the International Project Management Association's ICB – to name a few of the more popular ones which are highly regarded and widely applied by project practitioners across the globe and whose contents are revised and updated periodically. Furthermore, some organizations have even invested considerable time, effort and resources in developing their own project management standards suited to their own specific needs and environment.

Stakeholders are central to every project. Basically, they lie right at the very core of projects. Every aspect of a project extending from its conception to its initiation to its completion and everything in between and thereafter directly involves stakeholders. Failure to manage them well at any stage is to ask for trouble. Thus, given the criticality of effective stakeholder management and engagement on projects, especially on large and complex schemes which in this regard traditionally are highly challenging, the authors and some of their interview partners are of the view that an industry-, organization- or even project-specific standard developed specifically with an exclusive focus on project stakeholders, both primary and secondary, and vigorously implemented, can help ensure the highest possible level of efficacy in managing these entities over the project life-cycle and help bring about a win-win situation for both the projects and their stakeholders. With this idea in mind, the authors had already earlier proposed the creation of a *Project Stakeholder Governance Framework* which they introduced at the University of Maryland's first annual project management symposium held in June 2014. Highlights of this governance framework were four identified integrated components, namely, institutional, instrumental, informational, and research & education. According to the authors these four components collectively constitute the foundation for the creation, application, consolidation and gradual improvement over time of the organization's entire gamut of principles, guidelines, policies, decision-making structures, rules, procedures, processes, tools and techniques, systems, databases and infrastructure, training, research and so forth, which determine the relationship between the organization's projects and all its stakeholders. Holistic in outlook and practical (albeit somewhat complex) to implement, an inclusive framework

with this level of sophistication can be developed by or for any organization and can be especially beneficial for those organizations which maintain sizeable project portfolios or whose operations are largely project-driven. An unwavering interest and commitment by senior management along with willingness to expend organizational resources and take risks are off course essential prerequisites for overcoming the challenges and bringing such frameworks into existence and ensuring that they function successfully over time. On the other hand, attempts that are poorly conceived, planned or executed may cause serious problems for organizations instead of delivering the desired solutions.

Interestingly, and in apparent recognition of the crucial role and importance of stakeholders on projects, considerable effort has been made in recent years by some commercial organizations and government agencies and ministries to develop and implement standards applicable for dealing with their stakeholders as the impressive array of currently publicly accessible published stakeholder engagement toolkits, manuals, guidelines etc. aptly reveals. Clearly, there is still very much scope for development in this field.

## **Measure 02: The Project Stakeholder Charter**

On large and complex projects all (primary) stakeholders are active participants with assigned roles and responsibilities. Besides the project manager and team, the project board or steering committee, and the project client, these typically include numerous independent entities ranging from individuals to large organizations. Entities usually found on such projects are, for instance, consultants, designers, advisers, financiers, contractors and sub-contractors, vendors, and several government agencies. Usually voluntary participants in a project, all have their respective interests, objectives, motivation, concerns, expectations and perceptions in relation to the project. Quite often these diverge. For instance, whereas expected financial benefit from the project may far outweigh all other considerations for one stakeholder, another stakeholder which may view the project primarily as a means of improving its public visibility and pursuing professional networking opportunities with other participating entities. Consequently, it would be an error of judgement for the project to look at all its primary stakeholders under the same lens and damaging for it to automatically assume that because of their contractual bond to the project they will wholeheartedly and unwaveringly support it under any and all circumstances for the entire duration of their participation in the project. Should the stakeholder come to view the project less favourably any time after formally joining it, then a demotivation effect may set in resulting in a decline in its interest and performance which in turn may adversely impact not only its own project activities and tasks but those which depend on them too. The onus therefore lies with the project to carefully analyze the attributes of its primary stakeholders from the onset

of their joining the project and periodically monitor and assess these to ensure that stakeholders stay content and in case of any discrepancies arise to analyze their causes and implement prompt remedial action.

Keeping the above in mind, and based on their interviews with project practitioners, the authors came up with the idea for a Stakeholder Partnership Charter. This is a written document which would become part of the project documentation system and which is endorsed, signed and adhered to by all the primary stakeholders. The Charter is developed in careful consultation with each stakeholder and comprehensively lists and clarifies, inter alia, their respective specific roles and responsibilities, interests, objectives and expectations in relation to the project. It is a valuable reference which the project over its life-cycle can use to systematically ensure fulfillment of its primary stakeholders' declared needs and wants and to attempt to prevent or promptly rectify any observed negative deviations. At the same time, the Charter helps promote mutual understanding of the differences which exist among stakeholders and helps sustain their commitment to and full cooperation for the project.

Stakeholder-specific charters of sorts are already being utilized on projects, though rather restricted in scope. A case in point is the project team charter which documents the roles and responsibilities and the work targets of the project team members.

### **Measure 03: Project Stakeholder Collaboration Clause in Contracts**

According to renowned US project management scholars Cleland & Ireland primary stakeholders encompass all those entities which have a contractual bond with the project or some legal obligation towards it. On large and complex projects numerous entities, including those specifically mentioned in the previous section, fall in this primary category which is distinct from the category of the secondary stakeholders, all of whom have no contractual bond or legal obligation to the project and consequently lie outside its formal control.

As with all contracts, project contracts too are legally binding and enforceable in character and spell out the roles and responsibilities of the contracting stakeholders. Contracts can also be instrumentalized for demanding the maximum attainable level of collaboration both between the project and all its stakeholders as well as between the various primary stakeholders actively participating in the project. For instance, to ensure maximum stakeholder collaboration on projects – and thereby increase project efficiency and likelihood of the project being a success - a suggestion surfaced in the course of the interviews conducted for this study to mandatorily include an at all times full and prompt collaboration assurance clause in every project contract. Compliance of this obligation by all primary stakeholders would be carefully and individually monitored

over time and linked with the application of a points-based collaboration assessment system administered by an evaluation committee tasked for this purpose by the project. Each observed shortcoming in the level of collaboration by a stakeholder would be assigned a score; severe cases would be assigned comparatively higher scores than lesser cases. Periodically reviewing the aggregate scores attained by each stakeholder and analyzing the underlying reasons would serve as a useful basis for discussions between the project and its stakeholders for preventing or resolving collaboration issues and problems. If a score exceeds a pre-specified value and an improvement in the quality of collaboration between the project and stakeholder(s) concerned is not feasible or foreseeable despite repeated attempts, termination of the contract between the project and the stakeholder(s) concerned could be considered.

#### **Measure 04: Performance Incentives & Rewards**

Project stakeholders, regardless of whether they are individuals, groups or organizations, usually perform better when offered incentives and rewards for rendering high-quality, outstanding or innovative work. Best work performance may significantly enhance project efficiency and reduce negative risk to the project, both of which are important project objectives. As stakeholder preferences may presumably cover a broad spectrum, it is important that any system of incentives and rewards used by projects must reflect such differences in preference in order for it to be effective over the project life-cycle and produce the desired beneficial result. Stakeholder preferences in this regard can be ascertained specifically by surveying or interviewing them all very early on in the project or whenever they join it during the project life-cycle and incorporating their inputs into a customized reward and incentive system. Typically, the rewards and incentives identified in the course of the interviews conducted for this research tend to fall into three broad categories:

- Monetary incentives & rewards intended for especially high-performing stakeholders, such as project team members and which could include, for example, payment of a bonus or special grant or allowance.
- Non-monetary incentives & rewards encompassing, for example, better promotional opportunities, more free time, official acknowledgements and commendations, improved access to facilities and better working environment.
- Preferential or guaranteed participation on future major projects. This can be of special interest to stakeholders such as consultants, contractors or vendors.

#### **Measure 05: Training for Project Stakeholders About Stakeholders**

Training is an important tool for imparting knowledge and improving work performance. Many projects make extensive use of training conducted by in-house or external experts covering a variety of themes (often development of technical or soft skills) for its employees. However, it appears that trainings specifically focused on stakeholder management and engagement are relatively few and far in between. Considering that stakeholders are central to every project – perhaps even more so in fact than the parameters comprising the ‘iron triangle’ – and that project performance surveys undertaken across the globe over several years consistently indicate that stakeholder-related issues and challenges constitute an overall significantly bigger threat to project success than factors unrelated to stakeholders, it is surprising that relatively few projects attempt to systematically educate and inform their employees about the myriad complexities involved in project stakeholder management and engagement and how best to effectively and efficiently handle such complexities and interact with stakeholders professionally and responsibly.

In discussions with project practitioners, an idea surfaced for projects to impart mandatory training to spread knowledge, awareness and understanding of the criticality of good stakeholder management and engagement. Participation in the training would not only be confined to project employees but would be a requirement for all key primary stakeholders having managerial or decision-making roles and responsibilities on large and complex projects involving multiple independent professionals and organizations. Broad participation has the advantage that all participating stakeholders would acquire an equal understanding of all salient concepts, rules, policies, standards, guidelines, processes, tools and techniques, best practices etc. relating to stakeholders which are applicable on the project. Conducted by experienced experts over a period of minimum two to a maximum of five days, the consensus was that such trainings must be held as early as possible in the project life-cycle, preferably shortly after project initiation, and repeated at any point in time in the project life-cycle if deemed necessary.

### **Measure 06: Project Stakeholder Audit**

Audits constitute an objective and time-tested tool for evaluating on-going and completed projects. Though usually quite complex, time-consuming and expensive to undertake they can often yield valuable insights. A variation of the audit can also be used specifically to comprehensively analyze and assess the quality – i.e the effectiveness and efficiency - of the management and engagement of the stakeholders, especially on important or mission-critical projects. A stakeholder audit can reveal, inter alia, whether or not the prescribed stakeholder management and engagement standards, policies, processes, procedures, tools & techniques etc. were adhered to by the project. It also delivers insight into how well or otherwise stakeholder conflicts,

issues and problems were handled in addition to collecting, reviewing and assessing detailed critical feedback from stakeholders and offering practical suggestions for improving the management and engagement of stakeholders on future projects.

### **Measure 07: Project Stakeholder Handbook**

Many commercial organizations and government agencies have developed their own project management handbooks or manuals for use as a reference for planning, designing, executing and controlling their projects. Project stakeholder management/engagement is a complex and challenging field which presents many possibilities for creative, fair and flexible solutions in pursuit of win-win solutions and a project- or organization-specific stakeholder handbook developed for use and consultation by all primary stakeholders and which is periodically updated over time as new knowledge, insights and experiences are gained would undoubtedly constitute an invaluable reference document as the main and focused source of information about managing stakeholders as effectively and efficiently as possible.

Contents of the stakeholder handbook would include both descriptive and prescriptive material. The former typically encompasses the principles, policies, guidelines, standards, rules, procedures, processes, tools and techniques, work flow diagrams, forms, templates, checklists etc. which apply to and are to be used for managing and engaging stakeholders. The latter includes, for instance, practical advice, guidance and suggestions for handling complex and tricky situations, challenges, conflicts, issues, problems etc. with stakeholders, strategies for attaining win-win solutions, ethical conduct and case studies presenting examples of both good and bad stakeholder management and engagement.

### **Measure 08: Project Stakeholder Newsletter**

A good and variable source of information for primary stakeholders over the course of the project-cycle is the project stakeholder newsletter. Published and circulated to all primary stakeholders by the project office periodically, the newsletter's purpose is basically to keep stakeholders continually informed about the project progress to date and upcoming work and to highlight their contribution towards achievement of the project goal through their respective activities, tasks, and mutual collaboration. A highlight of the newsletter would be to throw light on stakeholder concerns, issues, conflicts, problems etc. currently occurring and provide an opportunity for primary stakeholders to share their knowledge, ideas, experiences and suggestions with a view to improving the quality of stakeholder interaction and management and engagement on the project.



### **Measure 09: Project Stakeholder Surveys & Interviews**

Access to quality information is a major determinant of effective stakeholder management and engagement. Only when the project is aware of its stakeholders' respective needs, wants, concerns etc. is it possible to address these systematically and properly in a timely manner over the project life-cycle.

Surveying is an excellent and versatile tool for acquiring information from stakeholders, both primary and secondary. Generally straightforward, quick and cheap to conduct, surveys can consist of closed and/or open-ended questions which can deliver deep and practical insights about stakeholders. A big advantage of surveying is that the process can be repeated in periodic time intervals and the data acquired analyzed and compared. This is very useful for revealing trends, the underlying reasons for which can then be ascertained. For projects three integrated types of surveys are especially useful for gathering information from stakeholders, namely, expectation, perception, and satisfaction surveys. Expectation surveys determine the stakeholders' views of situations or conditions on the project that will or may occur, or not occur, in future. Perception surveys deliver insight from stakeholder perspective as to whether or not their expectations have been fulfilled. Divergence between stakeholder expectations and perceptions may be problematic and must be skillfully addressed by the project. Satisfaction surveys provide insight into the stakeholders' mood towards the project. Continuously declining satisfaction levels over time obviously do not augur well for the project and are an indicator that changes in the approach used for managing and engaging stakeholders may be needed.

Surveys can be supplemented with in-depth interviews of stakeholders with a view to soliciting their inputs especially with regard to improving the quality of their interaction, especially in critical areas such as stakeholder communication, cooperation and work coordination. Focus groups are a particularly useful tool in this regard. Carefully selected stakeholder focus groups formed at the beginning of the project and existing until it ends could yield very valuable insights and suggestions which may prove highly beneficial for the project (and future projects) if acted upon.

### **Measure 10: Mobile Monitoring, Evaluation & Facilitation Team**

The Mobile Monitoring, Evaluation & Facilitation Team is a mechanism which provides the project with the ability to reach out to its stakeholders, both primary and secondary, by visiting them on-site and ascertaining if they have any concerns, issues, advice or other matters regarding the project which these stakeholders believe need to be

discussed. A major advantage of having this team is that it can quickly access potentially valuable inputs from stakeholders which they may not have been inclined to disclose had the project not approached them directly. It also provides the project with an effective means for monitoring and assessing any problems encountered by stakeholders resulting from the project activities and where and when possible resolving these problems by taking on-the-spot remedial decisions.

Membership of the team can be confined to key primary stakeholders (or their representatives) along with neutral independent entities of high social standing and impeccable reputation (for instance, community leaders and officials of non-governmental organizations), the purpose of the latter's presence being to reassure and instill confidence in stakeholders, especially secondary ones, that the project views the interests of all its stakeholders seriously and seeks to pursue a fair and balanced approach in its dealings with them. The team could report directly to the project board or steering committee with its responsibilities and authority contained in its Terms of Reference document.

## **CONCLUSION**

As shown in this paper, projects can benefit immensely by applying a set of simple, practical, integrated and fairly easy to implement stakeholder management 'best practices' over the duration of their life-cycles. The overall benefits to both the project and its stakeholders from these practices will in all likelihood be significantly higher than their cost and the complexity of designing and implementing them. This is an interesting subject field whose further exploration and consideration clearly offers many possibilities for creativity on the part of project planners and owners and for pursuit of win-win solutions.

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