

Use of a Stakeholder Analysis in Project Management

Mincheol Kim*

INDEX

- I . Introduction
- II . Some questions and answers for use of
a stakeholder analysis in project management
- III . Results

I . Introduction

Many of people directly and indirectly involved in any project are called as stakeholders (PMBOK, 2004). A stakeholder group is a set of people who have similar needs in relation to the project. It would not be possible to interact with each stakeholder on an individual basis but their needs can be addressed as an efficient and effective manner by grouping stakeholders (Smith, 2000).

The objective of this paper is to understand a stakeholder analysis and discuss the related questions. The questions proposed in this study are as follows:

- When should you conduct a stakeholder analysis on a project?

* Professor, Department of Management Information Systems, College of Economics and Commerce, Jeju National University

- Who should be involved in its preparation?
- On the basis of the readings in the course, what tools and techniques do you think are the most useful? What are the advantages and disadvantages of these tools?
- How often should you update the stakeholder analysis on your project?
- What would be involved in a stakeholder management plan and how can it best be used?

II. Some questions and answers for use of a stakeholder analysis in project management

2.1 When a stakeholder analysis should be conducted on a project?

First, stakeholder analysis should be conducted at the early stages of project planning. In other words, stakeholder analysis is best accomplished before a project is initiated or at some beginning phases (Smith, 2000). Also, there is another side when considering the timing of stakeholder analysis. The success of project is depended on mainly customer's satisfaction, and due date, budgeting and so on. Generally, the customer's satisfaction changes can be observed too often and too easily. Due to it, it may be impossible to meet every requirement of customer. In some aspect, customers can be extended to 'stakeholder' ranging from host organization to support groups, experts, venders of information technology devices, special interest group, and regulators etc.

Thus, stakeholder analysis should be updated with new information made by each stakeholder at every stage of project (Milosevic, 2003). In conclusion, stakeholder analysis is indispensable to entire project processes, from planning to implement steps. Sometimes, the change of requirement is resulted from changes of stakeholder viewpoints.

2.2 Who should be involved in its preparation?

Stakeholder is person and organizations such as customers, sponsor, performing organization and the public whose interest may be positively or negatively affected by completion of the project. And the aim of stakeholder analysis is to identify the influence and interests/needs of the stakeholders. These unquantifiable expectations can entail a higher risk (PMBOK, 2004).

Thus the scope of stakeholder analysis should consider the entire person involved with the project because this analysis is included in scope management area. And project managers must spend a significant amount time clarifying requirements for diverse project participants and customers including a sort of stakeholders. Also they must manage and balance competing needs and expectations of stakeholders (Smith, 2000). Hartman (2000) pointed out that a successful project is one that makes all the stakeholders happy (Harrison and Lock, 2004). In this regard, this fact is very important point and, first of all, project managers need to acknowledge what stakeholders are and from whom they come.

However, since resources, time, and finances for the analysis will be limited, the list of stakeholders to be interviewed must be prioritized.

Experts who know the sector, policy, and players can help in this process (Schmeer, 1999).

The first steps for creating an effective communication plan are to list the project stakeholder's. A communication stakeholder is a person inside the project requiring regular information about the project. The examples include project sponsor, project review group, project manager, project leader, project members, and quality manager (Westland, 2006). Especially, the project manager must communication with external stakeholders in a proper time and accurate way (Klastorin, 2004). Stakeholder analysis needs much information about organization, market situation, cash flow, new investment, competitor, and customers. Thus, project manager and the principal members of the project have to be involved in stakeholder analysis preparation.

2.3 What tools and techniques are the most useful? What are the advantages and disadvantages of these tools?

In this study, stakeholder analysis approach (Smith, 2000), stakeholder matrix (Milosevic, 2003), and Quality Function Deployment (Fitzsimmons & Fitzsimmons, 1994) are presented as proper tools among the useful methods.

2.3.1 Stakeholder analysis approach

The stakeholder analysis approach proposed by smith (2000) consists of four tools: Stakeholder analysis context diagram, Stakeholder interest and impact table, Importance-Influence classification (Stakeholder influence grid), Stakeholder

participation matrix. Small project case is adequate with few stakeholders but complex project needs the following approaches.

<Table 1> Advantages and disadvantages of stakeholder analysis approach

Approach	Advantages	Disadvantages
Stakeholder analysis context diagram	Stakeholder interests can be easily understood with diagram.	It is a little difficult to classify into two groups (inside and outside) uniformly.
Stakeholder interest and impact table	This tool can identify the stakeholders' hidden interest. And this shows the result as priority number.	This information can be discussed through brainstorming session but not easy work.
Importance-Influence Classification	This provides insight and idea into interaction, risk of stakeholders	It is difficult to monitor the individual that has no apparent needs.
Stakeholder participation matrix	This clarifies the stakeholder' roles in all life cycle phases of the project.	It is not easy to analyze and document the data

2.3.2 Stakeholder matrix

This is a tool for identifying and developing the project team totally and provides a framework for profiling the broad spectrum of stakeholders (Milosevic, 2003).

<Table 2> Advantages and disadvantages of stakeholder matrix

Approach	advantages	Disadvantages
Stakeholder matrix	<ul style="list-style-type: none"> ● To help in managing potential contributions and customer relations. ● To interface the other tools such as QFD etc. ● To provide a template for summarizing the stakeholders and their influences etc. 	<ul style="list-style-type: none"> ● To be more time and efforts for matrix inputs and mapping. ● To be over reliance on the stakeholder matrix for PM and so has a possibility of conflict. ● To consider the update problem.

2.3.3 Quality Function Deployment (QFD)

To provide customer input at the product design stage, a process called quality function deployment (QFD) was developed in Japan and used extensively by Toyota and its suppliers.

<Table 3> Advantages and disadvantages of QFD

Approach	Advantages	Disadvantages
Quality Function Deployment	<ul style="list-style-type: none"> ● When this is successfully done, every decision in the project management process helps meet the expressed requirements of project customers (Milosevic, 2003). ● This can make a benchmarking and competitive analysis. ● This can be linked with other analysis tools (ex, AHP, regression coefficient) 	<ul style="list-style-type: none"> ● To be more time and efforts for making the HOQ ● As my experience, I think more complicated rather than other method.

The process results in a matrix, referred to as a "house of quality," for a particular product that relates customer attributes to engineering characteristics. The central idea of QFD is the belief that products should be designed to reflect the customers' desires and tastes. Thus, the function of marketing, design engineering, and manufacturing must be coordinated. The "house of quality" provides a framework for translating customer satisfaction into identifiable and measurable conformance specifications for product or service design (Fitzsimmons & Fitzsimmons, 1994).

2.3.4 How often the stakeholder analysis on project should be updated?

In this process, stakeholder analysis is key success factor of the project. And so stakeholder analysis should be done at every stage of the project. Especially, project manager need to make a comprehensive and detailed stakeholder analysis at design stage. When project manager has collected new information useful for reviewing and modifying the basic assumptions, project manager has to update the input of project and make a change management of project. By initiating stakeholder analysis prior to the introduction of the reform and continuing to modify the proposal during the design process, potential obstacles to implementation can be avoided in advance (PMBOK, 2004).

Especially, Stakeholder Matrix method supports team planning and development effort with relationship building (Milosevic, 2003).

All stakeholders don't need to be involved in all project phases (Smith, 2000) but, each stakeholder can participate partly in some stage of project life cycle. And formerly stakeholder can help to identify the stakeholder analysis of next phase. At this time, need to update the stakeholder. And stakeholder analysis is not static

and so need to change and update the analysis over time of project life cycle.

2.3.5 What would be involved in a stakeholder management plan and how can it best be used?

Stakeholder involvement is divided into three types: instructive, consultative and cooperative (Sen & Nielsen, 1996).

① Instructive involvement: This can be defined that the organization makes the decisions but structures (mechanisms) exist for helpful information.

② Consultative involvement: This can be defined that the organization is the decision-maker but stakeholders have a level of influence over the process and outcomes of project.

③ Cooperative involvement: This can be defined that principal stakeholders act as co-workers with the organization in the decision-making processes of project through the communication tool of team meeting, and e-mail.

Actually, different approaches as three types can be used for different tasks and for different groups of stakeholders. Certain tasks may lend themselves better to a consultative approach with primary stakeholders and an informative approach with secondary stakeholders by the priority (Sen, 2001).

III. Results

Despite of the increasing importance of stakeholder analysis, stakeholders analysis may be often omitted in the cycle of project management. In this regard,

the objective of this paper was to present some questions and answers for adoption of a stakeholder analysis.

First, stakeholder analysis should be adopted during entire project processes, from planning to implement steps. Second, primary step for creating an effective communication plan is to make the list of project stakeholders. In other words, since resources, time etc for the analysis will be limited, the list of stakeholders must be prioritized by the types of stakeholders (Schmeer, 1999). Third, PMBOK (2008) emphasized the adoption of stakeholder analysis and presented the introduction of QFD tool among various methods on stakeholder analysis. Fourth, stakeholder analysis need to update the adoption over time of project life cycle. Fifth, different approaches as three types can be used for different tasks and for different groups of stakeholders.

In the end, the considering factors for the adoption of stakeholders analysis can be used optimally according to the types of stakeholder involvement for a better decision making.

REFERENCES

- Fitzsimmons, J. A., and Fitzsimmons, M. J. (1994). *Service Management, McGraw-Hill*, p. 283.
- Harrison F. and Lock D. (2004). *Advanced project management: A structured Approach 4th, Gower Publishing Limited.*
- Klastorin T. (2004). *Project Management: Tools and Trade-Offs. New Jersey: John Wiley and Sons.*
- Milosevic D. Z. (2003). *Project Management ToolBox - Tools and Techniques for the Practicing Project Manager, John Wiley & Sons, Inc.*
- PMBOK® Guide (2004). 3rd Edition
- PMBOK® Guide (2008). 4th Edition
- Schmeer K. (1999). *Guidelines for Conducting a Stakeholder Analysis, Abt Associates Inc.*
- Sen S., and Nielsen J. R. (1996). Fisheries co-management: a comparative analysis. *Marine Policy, 20(5)*, pp.405-418.
- Sen S. (2001). *Involving Stakeholders in Aquaculture Policy-making, Planning and Management. Fisheries and Aquaculture Department. Available: <http://www.fao.org/docrep/003/ab412e/ab412e32.htm>*
- Smith L. W. (2000). *Project Clarity Through Stakeholder Analysis, CROSSTALK: The Journal of Defense Software Engineering: pp.4-9*
- Westland J. (2006). *The project management life cycle, Cambridge University Press.*