

Stakeholder management

Introduction

The concept of stakeholder has perhaps been trivialised, tainted or rendered apparently meaningless by overuse, but it remains a powerful tool for managing organisational changes and projects. This paper outlines the concept and describes a method for getting best value from it.

The concept dates back only 30 years to Ian Mitroff's *Stakeholders of the Organisational Mind*, published in 1983. Mitroff wrote: "We use the term *stakeholder* to connote all those individual actors and parties, organised groups and professions, and institutions that have a bearing on the behaviour of the organisation as revealed in its policies and actions on the environment. In short, a stakeholder is a party that both affects and is affected by the organisation and its policies."

At the corporate level three main stakeholders are commonly identified: customers, shareholders and employees. It is increasingly argued that long term success depends on simultaneously meeting the requirements of all three groups. Some companies, particularly in manufacturing, have additionally focused on two other main stakeholders: the community and suppliers.

The stakeholders in a project or a process of change are:

- All those who are or would be affected by the project or change; **and**
- All those who can affect the outcome.

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1 Overview of the concept and its uses

Contexts for use

The following contexts are all appropriate for using stakeholder thinking:

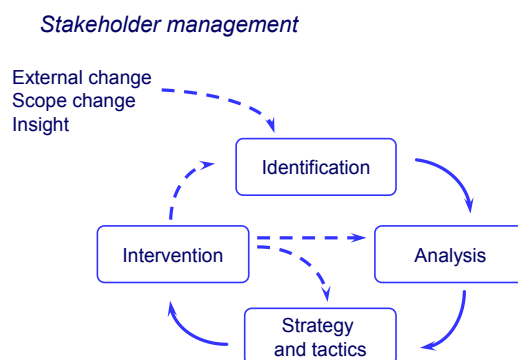
- Initiating a process of change
- Carrying out a review, inspection, evaluation or audit.
- Implementing a change which has already been decided upon.
- Managing any project.
- A consultancy assignment (both for estimation and during the assignment).
- Before taking a decision.

Stakeholder thinking in projects

- To size the work – scale and complexity.
- To identify who to collect information from or who to consult.
- To diagnose organisational politics and hence improve your chances of success.
- To identify who would need to support recommendations.
- To help plan implementation (e.g. stakeholders may need to be communicated to or trained)

Applying stakeholder management

Stakeholder management involves the iterative four step process shown in the diagram below.



Identification

Identification asks the question “Who are **all** the stakeholders involved in the project or change?” Problems are often the result of failing to take account of the interests of one or more stakeholders, and this is much more likely if they are not even on your radar.

Analysis

Analysis depends upon the comprehensiveness of the list of stakeholders identified and asks three questions:

- What do I need from these stakeholders to achieve my objectives?
- What are their needs, interests, expectations, concerns and wants?
- Which stakeholders are therefore most critical to the success of the project? Who has the capacity to make or break the project or change?

Strategy and tactics

This asks the question “How will I engage with all the stakeholders, and especially the key ones?” The answer may be in individual cases that no engagement is required.

Intervention

Involves putting the plans into action. This stage is not discussed in this paper.

An iterative process

The process described is iterative. The intervention stage in particular often reveals new stakeholders, develops one’s understanding of stakeholders’ positions and leads to the development of new interventions.

The whole set of stakeholders may be influenced by external change at the system level (organisational change, new initiatives, policy changes, crises) or personal level (new people in post). The scope of the project may change which in turn will often impact the range of stakeholders who are involved. It sometime happens that one starts to think about the project in a different way which highlights new stakeholders.

Benefits

- Reviews and projects are more likely to achieve their objectives.
- More commitment to the eventual outcome: e.g. changes are successfully implemented, review recommendations are taken forward rather than shelved.
- Problems being uncovered and ironed out along the way, rather than surfacing at the end.

- Less tension and unnecessary conflict.
- Less risk of complaints, people crying “foul”, poor publicity.
- More realistic estimation of the work involved in a project and the time required to undertake it.

2 Stakeholder identification

The goal is to identify **all** stakeholders. Judgements about how important or relevant they are and what to do about them can be made later. If you do not have a complete picture of the stakeholders, these judgements will be flawed.

How to identify stakeholders

Stakeholders are always stakeholders **in** something.

It is partly an intuitive process: simply ask yourself “Who has an interest in this?” or “Who do I need to talk to”. A group process is often more productive than an individual one. If at all possible, seek a second opinion to challenge any assumptions you have made and to offer a fresh point of view. It is surprisingly easy to overlook important stakeholders.

To get started or to cross check your initial brainstorming you can run your mind around the organisation or review an organisation chart. A more systematic way, if the project is at an appropriate stage, is by making an impact analysis (asking who/what will be impacted).

You can ask each person you talk to who else you should talk to. This helps to keep the stakeholder picture dynamic and builds an increasingly detailed understanding. Whether you actually do talk to the people recommended is a judgement to be made later.

You can also respond to whoever wants to talk to you, even if you cannot see why they should want to. And add them to the emerging stakeholder picture. (Of course, this option depends on having communicated the existence of the work you are doing.)

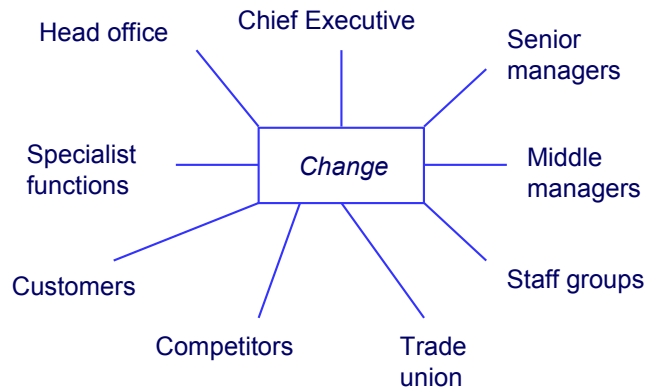
An example

The diagram on the next page shows part of a typical stakeholder network in relation to an organisational change.

This gives rise to the first guideline: *Represent the network as a picture not a list.*

The reason for this is that a list is harder to process. The information in a list can only be dealt with sequentially and it is less easy in this way to become aware of gaps and inadequacies. A picture on the other hand can be taken in as a whole and all the information can be worked with at once. Particularly if the analysis is being done by a group, a picture format is more likely to ensure that no stakeholder is missed out.

Stakeholder identification



Guidelines

Include both internal and external stakeholders

Internal stakeholders would typically include different functions, staff groups etc., while external ones might be suppliers, the media, regulators and so on. One of the nice features of stakeholder analysis is that there is no need to worry too much where to draw the boundary between internal and external.

Don't be put off by large numbers

In group sessions it is normal after a while for the flip chart to become quite full and for people to start identifying “the cleaners”, “the sandwich bar round the corner” and “Uncle Tom Cobley” as additional stakeholders. Usually somebody then says “Well, everyone’s a stakeholder, aren’t they?” This will often be accompanied by a challenging look at the facilitator. Possibly everyone **is** a stakeholder, but their stakes are usually different and they require to be managed in different ways. This cannot be done unless they are first separately identified.

More importantly, this sort of reaction involves a kind of denial of reality. If there are really 84 discrete stakeholders – as there often are with major changes in large organisations – it serves no value to stop at 50 because you are feeling overwhelmed with the complexity and difficulty of it all. The conclusion is that you need to face reality, identify all the stakeholders you can think of and only then perhaps reduce the complexity by focusing on the ones who really matter.

Break down broad, general categories

For example, people often identify a category called “staff”. For most purposes this is an inadequate degree of breakdown because different subgroups of “staff” have different interests and a different stake in a change or project, and will need to be treated differently. It is usually necessary to distinguish between staff in different functions, locations, roles, and who will experience different degrees of impact (e.g. those who may lose their jobs and those who are not directly threatened). The further guideline from this is that stakeholder categories should be reasonably homogenous.

Apply Pareto’s Principle

Groups like “Senior management” or “Customers” are not usually homogeneous or equally important. Usually Pareto’s Principle (the 80/20 rule) applies, such that 20% of the clients provide 80% of the business and therefore need to be identified separately. Similarly, certain senior managers might be separately identified according to their importance (large staff responsibilities), influence (informal opinion leadership) or opposition to the change, for example.

Personalise organisational stakeholders

Many of the stakeholders will be first identified as organisational units or functions. However, it is very difficult to move forward until you can identify a specific person to deal with.

Remember it is a simplification

An important weakness of stakeholder identification is that stakeholders are identified in isolation, solely in relation to the project or change. The diagram should properly be drawn as a network. Account needs to be taken of the **links** between stakeholders, and this should be factored in to the Analysis stage.

You can invent stakeholders

Some stakeholders are, as it were, real and others only exist if you define them as stakeholders e.g. head office and new customers respectively.

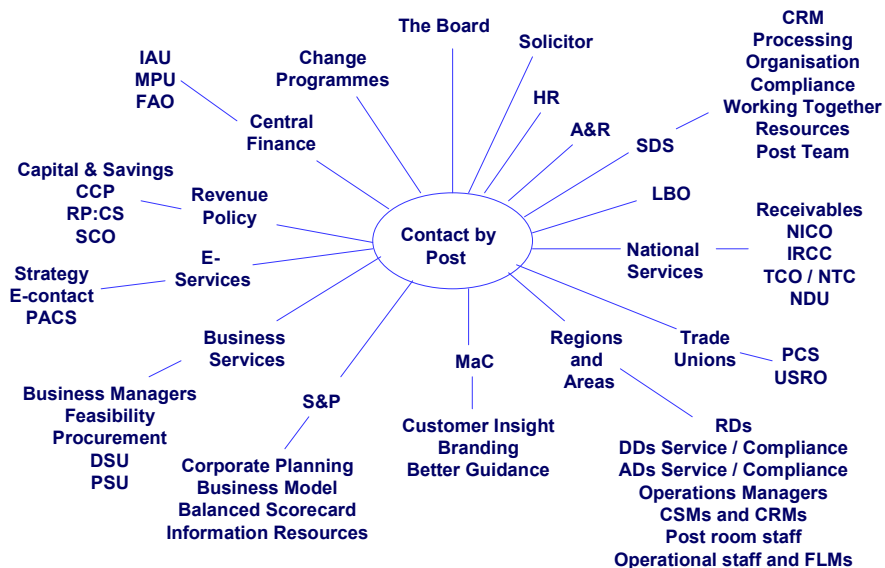
Keep it under review

Your initial identification of stakeholders is based on your understanding at that time. As you get further into the project, your understanding will change and grow. Your first picture is also no more than a snapshot: stakeholders and their stakes change over time.

A real life example

This was complemented by a list of external stakeholders and backed up by a long list of names and contact details.

Internal stakeholders



3 Stakeholder analysis

Once a full set of stakeholders has been identified, it becomes possible to think about three key questions:

- What do I need from these stakeholders?
- What are their stakes?
- Which stakeholders are therefore most critical to the success of the project?

A format for analysis

The table below provides a format for doing the analysis.

Stakeholder analysis

Stakeholder	Need	Power	Stake	Impact	Orientation

Need

What is needed from this stakeholder for the project or change process to be successful? In thinking about this, it is helpful to consider the stakeholder's capability to play the role envisaged.

Power

How much power to impede or facilitate the project or process does this stakeholder have? (High / Medium / Low.)

Stake

This can be expressed in various ways. Understanding this is often the key to being able to influence them. It can be helpful think about each stakeholder's:

- Expectations.
- Objectives.
- Concerns.
- Wants and needs.
- Priorities.
- Pressures and constraints (e.g. from other stakeholders).

Impact

What are the probable or possible consequences? What opportunities or threats arise from the project or change? Are the stakeholder's goals and interests enhanced or threatened?

People will resist change which threatens something they value, which has negative effects on them or which creates fear (e.g. of the unknown, of being unable to cope).

Orientation

On the basis of the impact as they are likely to perceive it and as it relates to their stake, is the stakeholder likely to be For, Neutral or Against (or perhaps For some aspects and Against others)?

Conclusions from the analysis

It should be very clear from the analysis who the key stakeholders are. They will require the greatest amount of, and most carefully thought-through, interventions

It will show too the overall pattern of forces around the project or change. This may indicate a highly polarised situation where all stakeholders are clearly for or against a project or proposed change, or a low energy one where no stakeholder really feels highly involved either way. Very different strategies will be appropriate in these different circumstances.

Finally, the analysis may identify gaps in your knowledge or unchecked assumptions about stakeholders' attitudes and objectives. Your strategy will need to include ways of filling these gaps.

Issues

- The number of stakeholders is potentially almost limitless and in large organisations can seem overwhelming. There is a great danger of limiting the analysis as a response to this.
- In many projects engaging with stakeholders feels as though it is an extra activity which is not fully resourced. It is undeniably time consuming and sometimes seems to be at the expense of getting the work done. It is still massively important however.
- You can almost never do too much stakeholder management, and it often seems that you can never do enough.
- It involves some loss of autonomy: you can't just do things, you have to stop and consider the implications.
- Stakeholders don't always want to be engaged.

4 Stakeholder strategy and tactics

This section sets out a range of tactics to deploy with individual stakeholders and suggests factors to take into account in selecting tactics. The tactics are not completely mutually exclusive and some combinations are possible.

Intention

Your goals for each stakeholder (which could be multiple, or change over time) should be determined as part of the analysis stage. There are four broad sets of reasons why you might want to intervene with your stakeholders.

- To gather information you need as part of your assignment.
- To inform: prepare, reassure, orientate, explain.
- To influence: increase readiness, produce a favourable attitude towards change, achieve a willingness to act in appropriate ways, overcome resistance or inertia.
- To develop: train or otherwise provide new skills needed to act or change.

Tactical options

Exclusion

Rarely, a stakeholder is so disruptive that a strategy to exclude them completely from the situation has to be developed.

Inaction

It can often be appropriate to take no specific action in relation to a stakeholder who has been analysed as having minor importance. The critical requirement is that this is a conscious decision based on analysis, rather than the product of complacency, oversight or lack of thought.

Broadcast communication only

In large scale change this is often the only way to intervene with a stakeholder who is both numerous and of limited influence. Communications would typically take the form of an announcement that a review or project was underway and occasional updates on progress or on decisions. This is often combined with the lowest level of consultation – a general invitation to comment.

Involvement in data collection

The primary focus here is on the provision of information **by** the stakeholders. The strategy typically takes one or more of four forms, which can be seen as a sort of hierarchy. They are not mutually exclusive. They are:

- Inclusion in the population or sample for a survey.
- Request for pre-existing management information or papers.
- Focus group.

- Individual interview.

The interview option is obviously the most time consuming and although sometimes an irritant to stakeholders is also a symbolic expression of their importance.

Consultation

Although it is impossible to draw a hard and fast line, consultation goes beyond seeking information from stakeholders to seeking their ideas for change and – critically – their reactions, even approval, to your proposals and recommendations.

Consultation methods form a broad hierarchy. Some of the methods are the same as for data collection, but they are listed again because the intent is different.

- A general invitation to make comments or proposals.
- Surveys and censuses.
- Circulating documents for written comments or for formal sign off.
- Meetings or interviews with individual stakeholders.
- Workshops at which managers and staff are invited to contribute their views or respond to preliminary conclusions or draft proposals.
- Nominating representatives to act as the channel of communication between a stakeholder community and the project team.
- Setting up a working group or committee representing various stakeholders.
- Inviting stakeholders to sit on a project steering group.

Influence

Beyond informing and consulting lies influence: seeking to deliberately alter a stakeholder's behaviour, perceptions, beliefs or attitudes.

Some of the key tactics of logical persuasion are:

- Demonstrate the problem before proposing the solution – look for the “killer facts”.
- Spell out the argument.
- Talk their language.
- Stress the benefits.
- Avoid argument dilution.
- Anticipate and deal with obvious problems.

There are of course a whole range of other possibilities:

- Appeal to values and emotions.
- Bargaining: trade-offs and quid pro quo.
- Inducements and rewards.
- Coercion and threats.

One of the key points about influence is that you do not have to do it all yourself: sometimes you can get other stakeholders to do it for you. Look for “leverage.” A key category of stakeholder is those who have influence over others, either as direct influencers or as gatekeepers.

Inclusion

Inviting the stakeholder – or a representative – to become part of the project team. It is often better to have stakeholders inside the tent than outside, but the risks need to be weighed up before embarking too quickly on this course of action.

Alliance

Sometimes if a stakeholder seems to have common or compatible objectives explicitly allying with them can be a good option. The alliance may not be overt of course. Alliance implies sharing information and developing tactics jointly. The impact on other stakeholders needs to be considered.

Coalescence

The limiting case is to fully join together with another stakeholder. For example, two project teams could decide that their work is so interdependent (or overlapping) that they should combine forces.

Factors to consider

- It is helpful to bear in mind that *anything* you do (or don't do) has the ability to be an intervention and therefore to produce an effect.
- Just as with intervening in a small group or an individual encounter, clarity about intent is vital.
- Be sure that the method is matched to the intent. For example, if your intention is to gain commitment a broadcast communication will not work; if your intention is to raise awareness, a series of interviews is a very expensive way to achieve it and would only be justified with key stakeholders.
- You can only influence stakeholders if you are in communication with them. Often it will be a key step in a strategy to manage stakeholders is to work out a way of getting into communication. Quite often the answer will be to do this indirectly, via another stakeholder who is better placed than you are yourself.

- The combination of tactics usually needs to lead stakeholders (especially key ones) through the cumulative series of stages of commitment building: awareness, understanding, “favourability”, involvement, commitment. You cannot reach the higher stages without passing through the more basic ones.
- Recognise that people do things for their reasons rather than yours. If you want action from your stakeholders, you will need to discover what is important to them in relation to the situation at hand, show you have listened to their views and later show how what you are saying fits what is important to them.
- Your choice of tactics will reflect your assessment of each stakeholder’s importance to your project. However, stakeholders and their stakes change over time. In particular it is important to remember that, as they say in America, “what goes around, comes around”. It is all too easy to assess a stakeholder as being unimportant, treat them as such and then find that the situation has changed and they now hold all the cards. The guideline is therefore: do not needlessly alienate any stakeholder.