

# **5th International Conference on Science, Technology and Management**

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## **AN OVERVIEW OF STAKEHOLDER MANAGEMENT IN CONSTRUCTION INDUSTRY**

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### **ABSTRACT**

*Project Stakeholder Management includes the processes required to identify the people, groups, or organizations that could impact or be impacted by the project, to analyze stakeholder expectations and their impact on the project, and to develop appropriate management strategies for effectively engaging stakeholders in project decisions and execution. Stakeholder management also focuses on continuous communication with stakeholders to understand their needs and expectations, addressing issues as they occur, managing conflicting interests and fostering appropriate stakeholder engagement in project decisions and activities. Stakeholder satisfaction should be managed as a key project objective.*

**Keywords :** *Construction, Management Stakeholder,*

### **I INTRODUCTION**

#### **1.1 Project Stakeholders**

A stakeholder is an individual, group, or organization who may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project. Stakeholders may be actively involved in the project or have interests that may be positively or negatively affected by the performance or completion of the project. Different stakeholders may have competing expectations that might create conflicts within the project. Stakeholders may also exert influence over the project, its deliverables, and the project team in order to achieve a set of outcomes that satisfy strategic business objectives or other needs. Project governance is the alignment of the project with stakeholders' needs or objectives and it is critical to the successful management of stakeholder engagement and the achievement of organizational objectives. Project governance enables organizations to consistently manage projects and maximize the value of project outcomes and align the projects with business strategy. It provides a framework in which the project manager and sponsors can make decisions that satisfy both stakeholder needs and expectations and organizational strategic objectives or address circumstances where these may not be in alignment.

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Stakeholders include all members of the project team as well as all interested entities that are internal or external to the organization. The project team identifies internal and external, positive and negative, and performing and advising stakeholders in order to determine the project requirements and the expectation of all parties involved. The project manager should manage the influences of these various stakeholders in relation to the project requirements to ensure a successful outcome.

Stakeholders have varying levels of responsibility and authority when participating on a project. This level can change over the course of the project's life cycle. Their involvement may range from occasional contributions in surveys and focus groups to full project sponsorship which includes providing financial, political, or other support. Some stakeholders may also detract from the success of the project, either passively or actively. These stakeholders require the project manager's attention throughout the project's life cycle, as well as planning to address any issues they may raise.

Stakeholder identification is a continuous process throughout the entire project life cycle. Identifying stakeholders, understanding their relative degree of influence on a project, and balancing their demands, needs, and expectations are critical to the success of the project. Failure to do so can lead to delays, cost increases, unexpected issues, and other negative consequences including project cancellation. An example is late recognition that the legal department is a significant stakeholder, which results in delays and increased expenses due to legal requirements that are required to be met before the project can be completed or the product scope is delivered.

Just as stakeholders can positively or adversely impact a project's objectives, a project can be perceived by the stakeholders as having positive or negative results. For example, business leaders from a community who will benefit from an industrial expansion project will see positive economic benefits to the community in the form of additional jobs, supporting infrastructure, and taxes. In the case of stakeholders with positive expectations for the project, their interests are best served by making the project successful. In contrast, the interests of negatively affected stakeholders, such as nearby homeowners or small business owners who may lose property, be forced to relocate, or accept unwanted changes in the local environment, are served by impeding the project's progress. Overlooking negative stakeholder interests can result in an increased likelihood of failures, delays, or other negative consequences to the project.

An important part of a project manager's responsibility is to manage stakeholder expectations, which can be difficult because stakeholders often have very different or conflicting objectives. Part of the project manager's responsibility is to balance these interests and ensure that the project team interacts with stakeholders in a professional and cooperative manner. Project managers may involve the project's sponsor or other team members from different locations to identify and manage stakeholders that could be dispersed around the world.

The following are some examples of project stakeholders:

- **Sponsor:** A sponsor is the person or group who provides resources and support for the project and is accountable for enabling success. The sponsor may be external or internal to the project manager's organization. From initial conception through project closure, the sponsor promotes the project. This includes serving as spokesperson to

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higher levels of management to gather support throughout the organization and promoting the benefits the project brings. The sponsor leads the project through the initiating processes until formally authorized, and plays a significant role in the development of the initial scope and charter. For issues that are beyond the control of the project manager, the sponsor serves as an escalation path. The sponsor may also be involved in other important issues such as authorizing changes in scope, phase-end reviews, and go/no-go decisions when risks are particularly high. The sponsor also ensures a smooth transfer of the project's deliverables into the business of the requesting organization after project closure.

- **Customers and users:** Customers are the persons or organizations who will approve and manage the project's product, service, or result. Users are the persons or organizations who will use the project's product, service, or result. Customers and users may be internal or external to the performing organization and may also exist in multiple layers. For example, the customers for a new pharmaceutical product could include the doctors who prescribe it, the patients who use it and the insurers who pay for it. In some application areas, customers and users are synonymous, while in others, customers refer to the entity acquiring the project's product, and users refer to those who will directly utilize the project's product.
- **Sellers:** Sellers, also called vendors, suppliers, or contractors, are external companies that enter into a contractual agreement to provide components or services necessary for the project.
- **Business partners:** Business partners are external organizations that have a special relationship with the enterprise, sometimes attained through a certification process. Business partners provide specialized expertise or fill a specified role such as installation, customization, training, or support.
- **Organizational groups:** Organizational groups are internal stakeholders who are affected by the activities of the project team. Examples of various business elements of an organization that may be affected by the project include marketing and sales, human resources, legal, finance, operations, manufacturing, and customer service. These groups support the business environment where projects are executed, and are therefore affected by the activities of the project. As a result, there is generally a significant amount of interaction between the various business elements of an organization and the project team as they work together to achieve project goals. These groups may provide input to requirements and accept deliverables necessary for a smooth transition to production or related operations.
- **Functional managers:** Functional managers are key individuals who play a management role within an administrative or functional area of the business, such as human resources, finance, accounting, or procurement. They are assigned their own permanent staff to carry out the ongoing work, and they have a clear directive to manage all tasks within their functional area of responsibility. The functional manager may provide subject matter expertise or their function may provide services to the project.
- **Other stakeholders:** Additional stakeholders, such as procurement entities, financial institutions, government regulators, subject matter experts, consultants, and others, may have a financial interest in the project, contribute inputs to the project, or have an interest in the outcome of the project.

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**TABLE1: SUMMARY STAKEHOLDER CLASSIFICATION**

According to	Categories	Defining Characteristic
Stakeholder Attributes	Dormant	Power only
	Discretionary	Legitimacy only
	Demanding	Urgency only
	Dominant	Power and Legitimacy
	Dangerous	Power and Urgency
Stakeholder vested Power-interest index	Dependent	Legitimacy and Urgency
	Definite	All three attributes
	Active opposition	Pos = -1
	Passive opposition	Pos = -0.5
	Not committed	Pos = 0
Contractual relationship on the project	Passive support	Pos = 0.5
	Active support	Pos = 1
Attitudes towards the project	Internal	Having a contractual link with the project
	External	Having no contract but could affect or be affected by the project
Proponent	In support of project	

## II PROJECT STAKEHOLDER MANAGEMENT

Project Stakeholder Management includes the processes required to identify the people, groups, or organizations that could impact or be impacted by the project, to analyze stakeholder expectations and their impact on the project, and

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to develop appropriate management strategies for effectively engaging stakeholders in project decisions and execution.

Stakeholder management also focuses on continuous communication with stakeholders to understand their needs and expectations, addressing issues as they occur, managing conflicting interests and fostering appropriate stakeholder engagement in project decisions and activities. Stakeholder satisfaction should be managed as a key project objective.

An overview of the Project Stakeholder Management processes that include the following:

**2.1 Identify Stakeholders**—The process of identifying the people, groups, or organizations that could impact or be impacted by a decision, activity, or outcome of the project; and analyzing and documenting relevant information regarding their interests, involvement, interdependencies, influence, and potential impact on project success.

Input for Identify Stakeholders are Project charter, Procurement documents, Enterprise environment factor, Organization process assets. Tools and Techniques for Identify Stakeholders are Stakeholder analysis, Expert judgment, Meetings.

There are multiple classification models used for stakeholders analysis, such as:

- 1 .Power/interest grid, grouping the stakeholders based on their level of authority (“power”) and their level of concern (“interest”) regarding the project outcomes
- 2 .Power/influence grid, grouping the stakeholders based on their level of authority (“power”) and their active involvement (“influence”) in the project
- 3 .Influence/impact grid, grouping the stakeholders based on their active involvement (“influence”) in the project and their ability to effect changes to the project’s planning or execution (“impact”)
4. Salience model, describing classes of stakeholders based on their power (ability to impose their will), urgency (need for immediate attention), and legitimacy (their involvement is appropriate).

The main output of the Identify Stakeholders process is the stakeholder register. This contains all details related to the identified stakeholders including, but not limited to:

1. Identification information: Name, organizational position, location, role in the project, contact information;
2. Assessment information. Major requirements, main expectations, potential influence in the project, phase in the life cycle with the most interest;
3. Stakeholder classification. Internal/external, supporter/neutral/resistor, etc.

The stakeholder register should be consulted and updated on a regular basis, as stakeholders may change—or new ones identified—throughout the life cycle of the project.

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**2.2 Plan Stakeholder Management**—The process of developing appropriate management strategies to effectively engage stakeholders throughout the project life cycle, based on the analysis of their needs, interests, and potential impact on project success.

The inputs for Plan Stakeholder Management are project management plan, Stakeholder register, Enterprise environment factor, Organization process assets.

Tools and techniques for Plan Stakeholder Management are: Expert judgment, Meetings, Analytical techniques.

The current engagement level of all stakeholders needs to be compared to the planned engagement levels required for successful project completion. Stakeholder engagement throughout the life cycle of the project is critical to project success.

The engagement level of the stakeholders can be classified as follows:

- Unaware: Unaware of project and potential impacts.

The current engagement can be documented using Stakeholders Engagement Assessment Matrix, as shown in Figure2, where C indicates the current engagement, and D indicates the desired engagement. The project team needs to identify the desired engagement level for the current phase of the project, based on available information.

The example in Figure2 shows that stakeholder 3 is at the desired engagement level, while stakeholders 1 and 2 require further communications and additional actions to move them to the desired level of engagement

Stakeholder	U	R	N	S	L
Stakeholder 1	C			D	
Stakeholder 2			C	D	
Stakeholder 3				C D	

**Figure1 Stakeholders Engagement Assessment Matrix U: Unaware, R: Resistant, N: Neutral, S: Supportive, L: Leading.**

The output from this is gives us a Stakeholder Management Plan.

## 2.3 Manage Stakeholder Engagement

The process of communicating and working with stakeholders to meet their needs/expectations, address issues as they occur, and foster appropriate stakeholder engagement in project activities throughout the project life cycle.

Inputs: Stakeholder management plan, Communication management plan, Change log, Organization process assets.

Tools and techniques: Communication methods, Interpersonal skill, Management skills.

Outputs: Issue log, Change request, Project management plan update, Project document updates, Organizational process assets updates.

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## **2.4 Control Stakeholder Engagement**

The process of monitoring overall project stakeholder relationships and adjusting strategies and plans for engaging stakeholders

Inputs: Project management plan, Issue log, Work performance data, Project documents.

Tools & Techniques: Information management system,

Expert judgement, Meetings.

Outputs: Work performance information, Change requests, Project management plan update, Organizational process assets updates.

Every project will have stakeholders who are impacted by or can impact the project in a positive or negative way.

## **III CONCLUSION**

While operations management is different from project management (see 1.5.1.1), the needs of stakeholders who perform and conduct business operations are important considerations in projects that will affect their future work and endeavors. Project managers who consider and appropriately include operational stakeholders in all phases of projects, gain insight and avoid unnecessary issues that often arise when their input is overlooked.

Operational stakeholders should be engaged and their needs identified as part of the stakeholder register, and their influence (positive or negative) should be addressed as part of the risk management plan.

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