

TITLE: STAKEHOLDER PERCEPTIONS AND PROJECT PERFORMANCE

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ABSTRACT

The chapter highlights the importance of stakeholders as a crucial aspect in understanding project behaviour. Effective stakeholder identification and management allows project managers to understand the needs and motivations of all individuals and groups who can impact or be impacted by a project. This information is crucial in ensuring project success by helping project managers to effectively manage stakeholder expectations and build strong relationships.

The aim of this chapter is to enable the project manager to better consider and plan stakeholder management throughout the life of the project to maximise decision-making and benefits. It will elaborate on the challenges when including different stakeholder perceptions for project performance. The assumption is that it is essential to control the project's outcome parameters through stakeholder expectations to minimise the chances of failure and maximise performance.

Engaging stakeholders in any project environment, local regional, national or global all brings separate complexities. To deliver outcomes successfully, project managers need to develop a much clearer understanding of stakeholder perceptions, expectations and priorities to enable them to cope with any changes or uncertainty as the project evolves throughout the lifecycle.

Keywords: stakeholder expectations, stakeholder behaviour, stakeholder perceptions, decision-making, project performance, programme management, stakeholder management, project collaboration, project design.

1 INTRODUCTION

This chapter explores stakeholders as a key element in understanding project behaviour within a project. Stakeholder identification and management is an integral part of project behaviour because it helps project managers to understand the needs and expectations of all individuals and groups who can impact or be impacted by a project (Unterhitzenberger, 2021). Stakeholders can have a variety of motivations, including financial, ethical, legal, and social concerns. It is important for project managers to understand the motivations of stakeholders in order to effectively manage their expectations and build successful relationships (Ika et al., 2020).

Projects have become for many organisations the centrepiece of their strategy and the way they drive change and, in some instances, how they drive their operations (Nieto-Rodriguez, 2021). As a result, the role of stakeholders and stakeholder management has become central to the success of projects. Existing literature presents individual stakeholder views that are recognised as contributing to project success, but limited studies have assimilated the views of different stakeholders or stakeholder groups. There is a widely held belief that a single stakeholder group, usually project managers, is sufficient to judge project performance (Andersen et al., 2004; Morris et al., 2011) and mainstream management research continues to reproduce a managerialist bias by implicitly foregrounding organisational elites as decision-makers who act in the best interest of all stakeholders (Scherer and Palazzo, 2007; Miles, 2017), without challenging the limits of this taken-for-granted assumption.

Phillips et al. (2003) state that neo-classical view of the firm leads to unchanged assumptions in maximising shareholder wealth or value, rather than optimising collective value among the broader network of stakeholders, since they are the main priority of the focal organisation. Nonetheless, for stakeholder theory, attention to the interests and well-being of some non-shareholders is obligatory for more than the prudential and instrumental purposes of wealth maximisation of equity shareholders. Accordingly, the “stakeholder capitalism” movement (Freeman, 1994; Freeman et al., 2007), reinforces the need for a strategic and systematic approach to achieving organisational purpose and goals by fostering the proactive involvement and harmonising the interests of all stakeholders. Differing from the resource-

dependence view, the normative stance in stakeholder theory has acknowledged that business is always 'moral in nature,' where the focal organisation should gather input from all the affected parties (Jensen and Sandström, 2013).

Stakeholder theory is concerned with who has input in decision-making as well as with who benefits from the outcomes of such decisions. This may be for either instrumental reasons (e.g., achieving "buy in") or for normative reasons—the organisation has a moral obligation to its stakeholders requiring that they have input into how the organisation is run. In this regard, Wateridge (1998) noted that organisations should use shared stakeholders success criteria to achieve the best outcomes. This view is supported by the work of McLeod et al. (2012, p.72), who stated that "project outcomes are subjectively perceived by different stakeholders" and further reported that failing to consider one group's view may taint the project's overall outcome. Turner and Zolin (2012) and Turner (2014a, 2014b) added to this, suggesting that the perceptions of multiple stakeholders are critical to the success of a project and that failure to evaluate the success criteria with each group could lead to poor decision-making, demotivation of employees, and an unproductive organisational culture.

2 STAKEHOLDER THEORY BACKGROUND

In the context of this chapter, a stakeholder is defined as an individual or group that has an interest or concern in something, especially a business. They can be internal stakeholders, such as employees or managers, or external stakeholders, such as customers or suppliers.

The dominance of the instrumental formulation of stakeholder theory is well recorded in both management and project studies (Bondy and Charles, 2018; Derakhshan et al., 2019). This perspective sees stakeholders as resource providers for the organisation and categorises them based on their potential ability to help or harm the organisation (Eskerod and Huemann, 2013). This approach sees stakeholders as resource providers to the organisation, based on their interests (Clarke, 2004; Salancik and Pfeffer, 1978). When there is a conflict of interest, trade-offs must be made, and whenever there is the need for a trade-off, prioritisation is inevitable.

To identify and prioritise stakeholders among different and competing claims, Mitchell et al. (1997) developed the stakeholder 'salience model' based on three attributes of power, legitimacy and urgency. This classification system indicates the amount of attention that project managers should give to stakeholders needs and perceptions of value from project outcomes (Mitchell et al., 1997). However, although many scholars cite this model in their work, important methods such as the 'power/interest matrix' (Johnson et al., 2005) and 'stakeholder circle methodology' (Bourne and Walker, 2005) were developed from Mitchell et al's (1997) work reflecting the instrumental perspective of stakeholder theory. The model represents a somewhat static picture of stakeholders rather than the more dynamic changing attitudes that tend to occur through the different phases of the project life cycle (Olander, 2007) and it does not reflect that the resources, or the organisational positions of stakeholders can be considered static (Pajunen, 2006). The obvious implication is that project organisations face the very-real conundrum of managing for value even in the face of transitory or shifting perceptions of what stakeholders seek from the project.

The 'New Stakeholder Theory' relies primarily on economic and legal arguments that stakeholders will sustain their connection to an organisation only if they expect and ultimately receive appropriate returns on their contributions (McGahan, 2021).

Therefore, the challenge of delivering value in a project is mirrored by the concomitant challenge of identifying, understanding, and developing strategies for managing project stakeholders based on their interests and perceptions of benefits to be realised. Literature shows growing attention to stakeholder attitudes toward a project and the model proposed by McElroy and Mills (2000), distinguishes whether a stakeholder is an advocate or adversary of the project in five levels of 'active opposition', 'passive opposition', 'not committed', 'passive support' and 'active support'. Olander (2007) and Nguyen et al. (2019) propose a quantitative approach ('stakeholder impact index') to assess stakeholder impact integrating more variables from Mitchell et al. (1997), Bourne and Walker (2005) and McElroy and Mills (2000). Moreover, a social network approach (Rowley, 1997) has been applied in stakeholder analysis for a small infrastructure project by Yang et al. (2011), which considers the interaction among multiple stakeholders by examining their

simultaneous influence to forecast the corresponding responses and organisational strategies (Rowley, 1997).

Klein et al. (2019) explores the concept of organisational governance adaptation and its impact on the distribution of value among stakeholders. They argue that organisations must adapt their governance (systems and processes used to manage and control an organisation) in response to changes in the external environment, such as changes in technology, regulation, or market conditions, in order to create and sustain value. They suggest that organisational governance adaptation involves three main components: inclusion, exclusion, and value distribution. Inclusion refers to the process of bringing new stakeholders into the governance system, such as new shareholders, customers, or suppliers. Exclusion refers to the process of removing existing stakeholders from the governance system, such as by buying out minority shareholders or terminating contracts with suppliers. Value distribution refers to the process of allocating the benefits and costs of the governance system among stakeholders. The organisational governance adaptation has important implications for the distribution of value among stakeholders. The process of inclusion and exclusion can lead to changes in the distribution of ownership and control, which in turn can affect the distribution of value. Klein et al. (2019) also argue that the process of value distribution can lead to conflicts and bargaining among stakeholders, which can affect the overall performance and stability of the organisation.

Gil and Fu (2021) explore the concept of megaprojects as large-scale, complex projects involving multiple stakeholders which have a significant impact on society and the environment. They argue that while megaprojects can create value for stakeholders, they also pose significant risks and challenges in terms of performance, value creation, and value distribution. They suggest that organisational governance plays a critical role in determining the success or failure of a megaproject. Effective organisational governance must take into account the diverse interests and perspectives of the various stakeholders involved in the project and must balance the need to create value with the need to manage risk and uncertainty. They go on to highlight the importance of understanding the value distribution among stakeholders, which can be affected by the governance system and the decision-making processes used in megaprojects and argue that the governance system

must ensure that the value created by the megaproject is distributed fairly among stakeholders, to ensure their support and engagement.

Based on an infrastructure project in Hong Kong, Li et al. (2012) consolidated a list of 17 stakeholder interests and different priorities in megaprojects of major stakeholder groups. What emerged is that in many cases stakeholders seek to prevent their vested interest from being jeopardised and an issue that is very important to one stakeholder group may be the lowest priority of another group (Li et al., 2012). Some scholars focus on the link between spatial dynamics and stakeholder impact. This concept has been applied in the context of infrastructure planning by Dooms et al. (2013), which examine that stakeholder structure and interests vary with their spatial distance from the project, with stakeholders gaining higher salience as they become geographically closer to the project. However, although conceptual frameworks and analytical models have been suggested by stakeholder theory scholars, managerial priorities and concerns have been focused almost exclusively on those primary stakeholders important to the project's economic interests (Aaltonen and Kujala, 2010; Hart and Sharma, 2004). In this way, project managers keep their dominant position as decision-makers who act in the best interest of all stakeholders (e.g., Derakhshan et al., 2019; Eskerod and Huemann, 2013), leading to instrumentally prioritise some actors, e.g., client, suppliers over others, e.g., local communities.

The protection of interests could be seen as a zero-sum game where one person or group's gain is directly proportional to another person or group's loss. This means that the total value or resources available in the project is fixed, and any gain by one stakeholder must come at the expense of another stakeholder (von Neumann and Morgenstern, 1944). For example, in a project where the budget is fixed, if one team or department gets additional resources, it means that another team or department has to make do with less. Similarly, if one stakeholder can negotiate a larger share of the project's benefits, it means that the other stakeholders will have to accept a smaller share. In a zero-sum game, the project manager must manage the competing interests of stakeholders and make decisions that balance the needs and goals of each stakeholder. This can be challenging, particularly in multi-phase projects where the stakeholders evolve, and this often involves trade-offs and difficult choices. It also requires good communication and negotiation skills, as the project

manager must be able to explain the reasons behind decisions and find mutually beneficial solutions. Additionally, it is important to note that in practice, most projects are not zero-sum games, and it is possible to create value for multiple stakeholders simultaneously, by using the available resources efficiently and creatively. Therefore, a project manager should not just focus on the zero-sum perspective but should also be able to find ways to create additional value for the stakeholders.

3 CLASSIFYING STAKEHOLDERS

Scholars have mainly distinguished primary stakeholders from secondary stakeholders and classified them using the literature's prevailing stakeholder salience model proposed by Mitchell et al. (1997). Primary stakeholders are characterised by contractual relationships with the project, such as customers or suppliers, or have a direct legal authority over the project, such as governmental organisations. Secondary stakeholders do not have a formal contractual bond with the project or direct legal authority over the project (Eesley and Lenox, 2006), but they can influence the project (Clarkson, 1995). According to Aaltonen et al. (2008), while actors of such interest include community groups, lobbyists, environmentalists and other non-governmental organisations, if secondary stakeholders are excluded by project managers, they may engage in a set of actions to advance their claims, with negative consequences to direct operational costs and to the reputation of the focal organisation (Eesley and Lenox, 2006; Nguyen et al., 2019).

Much of the knowledge about stakeholder analysis practices has been from the stakeholder impact perspective, especially on the impact that primary stakeholders can exert on project outcomes. In fact, most prior project research has focused on the management of those primary stakeholders important to the project's resources. Secondary stakeholders seek a claim for a legitimate role in project decision-making (Di Maddaloni and Davis, 2017; Derakhshan et al., 2019; Olander and Landin, 2008) and therefore, more time should be spent at the front end of a project (Pinto and Winch, 2016) and developing a stakeholder engagement plan which includes a broader range of stakeholders (Eskerod et al., 2015; van den Ende and van Marrewijk 2018).

The generic list of project stakeholders is often homogenously presented; however, decision-making is often confounded by stakeholder groups having their own perspective and policy for decision-making. Stakeholders can be classified based on their level of power or interest in the decisions to be made and how involved they are in the project. Typical types of stakeholders can be found in Table 1. This list is not exhaustive and can vary depending on the type of organisation and its operations.

INSERT TABLE 1 HERE

4 EVOLUTION OF THE INCLUSION OF STAKEHOLDER PERCEPTIONS

The inclusion of different stakeholder group perceptions of projects has evolved throughout time. In Figure 1, Davis (2016davis) illustrates this and notes that the perception of project success in the 21st century was defined by more than just the project manager, and therefore, other stakeholder expectations needed to be managed. In the figure there was a focus on stakeholder satisfaction and a move towards examining the project owner's perception of success. The importance of senior management commitment throughout the project is reiterated as crucial to provide the link between the organisational mission and project objectives. However, a majority of studies concentrated on the project manager's view of success and not those of other internal/external stakeholders of an organisation (e.g., senior management, business departments such as finance and marketing, or the external environment) at one point in the project lifecycle (for example, the initiation stage).

INSERT FIGURE 1 HERE

It is important to note that Figure 1 is not a fully comprehensive model and has moved on since this to include additional aspects such as sustainability or “green” success. “Green” success in projects is a concept that has been written about by many experts in various fields such as engineering, environmental science in the

field of project management and sustainability. In projects this refers to the ability of a project to meet its objectives while minimising its negative impact on the environment and promoting long-term environmental, social, and economic well-being (Giammalvo, 2010). This includes reducing the use of natural resources, minimising waste and pollution, and promoting social and economic equity. In practice, achieving sustainability or “green” success in projects involves incorporating sustainable practices and principles into project planning, design, and execution. This can include using environmentally friendly materials and technologies, incorporating energy efficiency and renewable energy, reducing waste, and promoting biodiversity (Parker, 2016). It also involves engaging and collaborating with stakeholders, including the local community and other interested parties, to ensure that their needs and concerns are taken into account in the project planning and execution (Fridjonsson and Palsson, 2018). This can include assessing the potential environmental and social impacts of the project and developing strategies to mitigate or avoid them. In addition, sustainable success also involves the use of project management methodologies, such as Life Cycle Assessment and Environmental Impact Assessment to identify the environmental impacts of a project and developing strategies to reduce them (Aguilar-Soto, 2018; Viswanath and Narasimhan, 2009).

5 IDENTIFYING STAKEHOLDERS AND MANAGING ENGAGEMENT

It is important to identify and address the interests of different stakeholder groups for project success. The primary and secondary stakeholder groupings may well be developed into more specific groupings in order to be more specific in understanding their different needs and expectations. Some may have a direct decision-making or resourcing input, others may have influence or investment capability. There will inevitably be stakeholders who will actively prevent the mission of the project. Carrying out stakeholder mapping will enable the project manager to set out strategies for managing and responding to these groups.

The idea of marginalising secondary stakeholders, or those stakeholders who have limited power and influence in a project, can be a challenge for project managers. These stakeholders may be difficult to identify, as they may not be directly involved

in the project or may not have a clear or direct impact on its outcome. However, their support or opposition can still have a significant impact on the project's success.

One of the challenges in identifying these types of stakeholders is that they may be “invisible” until they make themselves visible or powerful, for example, by starting to oppose the project at some stage. This can make it difficult for project managers to anticipate and manage potential conflicts or issues that may arise with these stakeholders (Mitchell et al., 1997). Another challenge is that secondary stakeholders may not have the same level of interest or engagement in the project as primary stakeholders and may not be as responsive to communication and engagement efforts. This can make it difficult to build and maintain relationships with these stakeholders and to address their concerns or needs effectively. To overcome these challenges, project managers can take a proactive approach to identifying and engaging secondary stakeholders. This may involve conducting research to identify potential stakeholders and their interests, as well as monitoring the project environment for potential stakeholders who may become more visible or powerful over time. Additionally, project managers can develop communication and engagement strategies that are tailored to the specific needs and concerns of secondary stakeholders and can involve them in decision-making processes to the extent possible.

Lehtinen and Aaltonen (2017) discuss the importance of engaging external stakeholders in inter-organisational projects, as well as the challenges that can arise in doing so. They argue that previous research on stakeholder engagement has focused primarily on internal stakeholders, and that there is a need for more research on engaging external stakeholders in inter-organisational projects. Their framework for organising external stakeholder engagement in inter-organisational projects includes, identifying key stakeholders, understanding their interests and expectations, and developing strategies for engaging them throughout the project.

However, one limitation stems from stakeholder identification and efforts taken to address “Who are the stakeholders?” and “What are their roles and rights?”. Eskerod and Larsen (2018) elucidate that stakeholders are essentially identified and encountered based on their assigned roles (e.g., suppliers, end users, local community). This is more evident in instrumental management approaches towards

stakeholders where the attribute of 'power' represents the basis of their prioritisation and salience (e.g., Bourne and Walker, 2005; Johnson et al., 2005; Mitchell et al., 1997). This approach has resulted in marginalisation of secondary stakeholders in many projects (Derry, 2012; Teo and Loosemore, 2017), and "makes it easy to separate decision-making from those stakeholders who are affected by decisions" (McVea and Freeman, 2005, p.60).

Another limitation stems from the methodological and practical approaches taken to build knowledge from the demands, concerns and beliefs of stakeholders, thus posing the question, "How should the roles and rights of stakeholders be identified?" In the prevalent theoretical approaches, the priorities and demands of stakeholders are largely determined by the perspective of the organisation (e.g., Derakhshan et al., 2019; Friedman and Miles, 2002). This organisation-centric approach results in a dyadic, independent stakeholder relationship (Eskerod and Larsen, 2018; Eskerod et al., 2015; Frooman, 1999), as well as an "unbalanced perspective in which the stakeholder voice is under-represented and remains a limitation of stakeholder theory" (Miles, 2017, p.448). The experiences and interests of many stakeholder groups are only distantly rationalised, without questioning how the stakeholders themselves perceive their entitlement to the conditions of the project (Bondy and Charles, 2018).

In fact, in formal project scenarios stakeholders may be formalised and given a specific role, there may be regulations set out by the institution for who may need to be involved in some projects e.g., in data management scenarios there may be the need to include a data controller. In some project scenarios where there is the need for more innovative and future focused development, it may be wiser for project managers to open out the stakeholder base to drive more creative thought or challenge. This is particularly the case for instance in new product/service design projects. In these scenarios it is important for the project manager to review the stakeholder base at different stages of the project, as ideas evolve new stakeholders may emerge. Further, as a project reaches completion, there needs to be a considered plan to hand over stakeholder management to the project recipient.

6 EXAMPLES OF PERCEPTION OF BENEFITS IN PRACTICE

As previously discussed, new stakeholder theory is a relatively recent development in the field of stakeholder management, which emphasises the importance of considering the interests and needs of all stakeholders in a project or organisation, not just shareholders or investors. This theory recognises that a wide range of stakeholders, including employees, customers, suppliers, and the local community, can have a significant impact on a company's success and must be taken into account in decision-making.

Once the interests are identified, we must consider managing the benefits for all stakeholders. Benefits management is opposite to new stakeholder theory as it is a systematic approach to identifying, planning, delivering, and realising the benefits of a project or program. It involves establishing clear objectives, identifying the stakeholders who will benefit from the project, and planning how to deliver and measure the benefits. Effective benefits management can help ensure that a project delivers the intended results, and that stakeholders are satisfied with the outcome (Thorpe and Holt, 2005). Both new stakeholder theory and benefits management are important for ensuring that projects are aligned with the needs and interests of all stakeholders and that they deliver the intended results. By considering the needs of all stakeholders and planning for the delivery and realisation of benefits, organisations can increase the chances of project success and build strong relationships with stakeholders.

To illustrate, the Thames Barrier was “priced at £110.7 million in October 1973 (compared with initial estimates of £13-18 million) [and] was ultimately delivered at a cost of £440 million” (Dalcher, 2012, p.648). Further, it took just under twice the estimated four years because of delays during the preconstruction phase. However, regardless of the delays, it is considered a great engineering achievement with the value of preventing floods and saving lives (Morris and Hough, 1987). On the other hand, Heathrow Terminal Five was completed successfully within time and cost constraints; however, British Airways had minor commissioning issues relating to check-in procedures for oversized baggage, leading to the later public and customer perception that the project was not able to deliver the promised benefits with consequent damage to the reputation of British Airways (Brady and Davies, 2009,

2010a, 2010b; Brady and Maylor, 2010). This raises the question of whether a better focus on benefits realisation is required, especially for complex projects whose value is not immediately obvious at completion.

Another well-known example is the construction of the Sydney Opera House in Australia. The project began in the 1950s with a design competition, and a relatively unknown architect, Jørn Utzon, submitted the winning design. However, as the project progressed, the costs began to escalate, and the construction schedule began to slip. Many stakeholders, including government officials, the public, and the media, began to question the value of the project and criticised the project team for the delays and cost overruns. The project team struggled to manage the negative perception of the project and to communicate the value of the project to stakeholders. Despite these challenges, the project was eventually completed in 1973, and the Sydney Opera House is now considered one of the most iconic and recognisable buildings in the world. The project serves as an example of how perception can impact a project and how effective communication with stakeholders can be critical to project success (Parkinson, 1994).

These examples highlight how perception is a dynamic concept that can change over time, and that stakeholders' perception of the project might change as the project progresses, when they see the final product and further into the future.

7 MANAGING CONFLICTS OF INTEREST THROUGH GOVERNANCE

There are often reported conflicts of interest between primary stakeholder groups in projects, this can cause major tensions for the project. It is important therefore for the project manager to identify what these interests and priorities are early on and ensure that the correct set of project objectives and measures are agreed on by all parties before the project progresses. In developing new customer propositions for example, it could be the case that for the delivery of the product and pricing for one product would contradict that of another product for the same customer group. This may then leave different product managers with trade-offs and agreements to be made about a middle ground in order to satisfy the customer need or market urgency. It can sometimes mean delays to the initiation of a project to iron out differences, but in the long run it is crucial to the successful outcome for the project.

Further conflict arises with the “NIMBY” movement, or “Not-in-my-backyard”, which refers to a phenomenon where individuals or groups oppose the development of a project or facility in their local community, even though they may support the project in general or in a different location. The term “NIMBY” is often used to describe opposition to the construction of landfills, power plants, highways, and other types of infrastructure projects. The reasons for NIMBY opposition can vary but often include concerns about the potential impact on property values, the environment, public health and safety, and quality of life. This often occurs when a project is exactly replicated in a new environment on the assumption that all needs/ constraints are the same and stakeholders are not consulted.

Many NIMBY opponents argue that the negative impacts of a project should be borne by others, rather than their own community. NIMBYism can have significant impact on a project as it can delay or stop the project from being completed, increase the cost of the project, and create public relations challenges for the organisation (Davidoff and Bowman, 1996; Gold, 1991; Smith, 1993). To address the NIMBY movement, organisations may use a variety of strategies, such as conducting community engagement, providing information on the benefits of the project, addressing concerns, and offering incentives to the community.

The governance structure can be designed to ensure that the interests and needs of all stakeholders are taken into account. Collaboration is a key aspect of successful project management, by working together, organisations and stakeholders can share ideas, resources, and expertise, and develop a shared vision and goals for the project. Collaboration can also help to build trust and understanding among stakeholders, which can be critical for addressing complex issues and achieving lasting impact. Early stakeholder engagement can help to identify potential issues and concerns early in the project and develop strategies to mitigate them. Effective collaboration requires clear communication, shared decision-making, and a willingness to compromise and work towards common goals. It also requires the ability to identify and manage conflicts that may arise between stakeholders.

A governance structure can be created to encourage collaboration and will include systems and processes that allow stakeholders to have a say in decision-making, provide clear and effective communication channels to ensure that all stakeholders

are kept informed of project progress, and establish a framework for resolving conflicts that may arise between stakeholders. By considering the needs of all stakeholders and planning for the delivery and realisation of benefits, organisations can increase the chances of project success and build strong relationships with stakeholders. In managing stakeholder conflicts, project governance plays a key role in the following ways:

1. Identifying stakeholders: helps to identify all stakeholders who have an interest in the project and to understand their needs, expectations, and concerns.
2. Communication: establishes clear and effective communication channels to ensure that all stakeholders are kept informed of project progress, changes, and any issues that arise.
3. Decision-making: provides a framework for decision-making that ensures that all stakeholders' views are taken into account and that decisions are made in the best interests of the project.
4. Conflict resolution: provides a framework for resolving conflicts that may arise between stakeholders. This may include establishing a dispute resolution process, appointing a neutral third party to mediate, or involving senior management to make a final decision.
5. Continuous improvement: includes a system of continuous improvement to review and monitor project performance, identify and resolve issues, and make necessary adjustments.

8 GUIDANCE FOR PROJECT MANAGERS

For project managers, it is crucial to consider the type of project and the need for stakeholder engagement when managing stakeholders. The approach to stakeholders should be tailored to the specific project, taking into account factors such as project duration and the scope of the impact on stakeholders. The context of the project will play a significant role in determining the appropriate stakeholder engagement strategy. Further, the engagement strategy can be paired with a relational governance approach that emphasises building and maintaining

relationships with stakeholders. A few suggestions for project managers to achieve this are to:

1. **Identify stakeholders:** The first step in setting up a stakeholder management approach is to identify all stakeholders who have an interest in the project. This includes internal stakeholders, such as employees, and external stakeholders, such as customers, suppliers, and the local community. This should include any enfranchised external/ secondary stakeholders who have a vested interest in the project but are not directly involved in its execution. This includes, but not limited to, the community, local government and the environment. They should be included in the decision-making process and their views should be considered throughout the lifetime of the project.
2. **Analyse stakeholders:** Once the stakeholders have been identified, analyse them to understand their needs, expectations, and concerns. This will help to prioritise which stakeholders to engage with and how to engage with them.
3. **Set Multi-Party Contractual Arrangements:** Multi-party contractual arrangements involve multiple stakeholders and organisations working together under a formal agreement to achieve project goals. These agreements should be clear, concise, and legally binding, and should clearly define the roles, responsibilities, and expectations of each stakeholder.
4. **Enfranchised External/ Secondary Stakeholders:** Enfranchised external/ secondary stakeholders are those who have a vested interest in the project but are not directly involved in its execution. This includes, but not limited to, the community/ potential new community (where the community is not established or known), local government and the environment. They should be included in the decision-making process and their views should be considered.
5. **Develop a stakeholder engagement plan:** Based on the analysis of stakeholders, develop a plan that outlines how to engage with each stakeholder group. This should include details on the communication channels to be used (for example, language, diversity and inclusion), the frequency of engagement, and the key messages to be conveyed.

6. **Communicate effectively and collaborate:** Clear and effective communication is essential for building trust and understanding among stakeholders and are key to relational governance. Project managers (or those who have the appropriate relationship) should establish regular communication channels and ensure that stakeholders are kept informed of project progress, changes, and any issues that arise. They should also encourage stakeholders to share ideas, resources, and expertise, and work together to achieve shared goals.
7. **Build relationships:** Building relationships with stakeholders is critical for stakeholder management. Project managers should work to build trust and understanding with stakeholders and be responsive to their needs and concerns.
8. **Transparency and accountability:** Relational governance requires transparency and accountability from all stakeholders. Project managers should ensure that stakeholders are aware of the project's goals, progress, and any issues that arise. They should also be willing to accept feedback and criticism and be held accountable for their actions.
9. **Manage conflicts:** Conflicts will inevitably arise during the project, and project managers should have a framework in place for identifying and resolving conflicts. This may include establishing a dispute resolution process, appointing a neutral third party to mediate, or involving senior management to make a final decision.
10. **Monitor and review:** Stakeholder management is an ongoing process, and project managers should continuously plan, monitor and review their stakeholder engagement plan. This includes evaluating the effectiveness of communication and engagement efforts and adjusting as needed.
11. **Continual improvement:** Relational governance is an ongoing process, and project managers should continuously monitor and review their stakeholder engagement plan.

We must emphasise the importance of building strong relationships and trust among stakeholders through relational governance. This focuses on creating a collaborative

and inclusive environment in which stakeholders can work together to achieve shared goals.

9 GUIDANCE FOR SCHOLARS

Academics seeking to study the perceptions of success among stakeholders could consider investigating the following:

1. Examining how different stakeholders may have different definitions and expectations of project success, such as how stakeholders from different organisations, industries, or communities may have different priorities and values.
2. Investigating the factors that contribute to alignment or misalignment of stakeholders' perceptions of project success, such as how communication, leadership, or project management practices may affect the alignment of stakeholders' perceptions of project success.
3. Analysing the impact of stakeholder perceptions of project success on project outcomes, such as how stakeholder perceptions of project success may affect project performance, satisfaction, and sustainability.
4. Identifying strategies for managing stakeholder perceptions of project success, such as how to effectively communicate project goals and objectives, how to involve stakeholders in the project planning and decision-making process, and how to address and resolve conflicts and disagreements among stakeholders.
5. Examining the role of power and influence in shaping stakeholders' perceptions of project success, such as how different stakeholders may have different levels of power and influence in shaping the project goals and objectives and how this may affect the alignment of stakeholders' perceptions of project success.
6. Investigating the relationship between stakeholder perceptions of project success and project governance, such as how stakeholders' perceptions of

project success may affect the project governance structure and how it may impact the project success.

7. Exploring how stakeholder perceptions of project success may change over time and how it may impact the project outcome.

By understanding the different perceptions of project success among stakeholders, academics can help practitioners to better understand and manage stakeholder expectations, align project goals and objectives with stakeholders' priorities and values, and ultimately improve project outcomes.

10 CHAPTER SUMMARY

Project behaviour and stakeholder management are closely linked because the behaviour of stakeholders can have a significant impact on the success of a project (Unterhitzenberger, 2021). Project managers must understand the behaviour of stakeholders in order to effectively manage their expectations and build strong relationships (Ika et al., 2020). This can include:

- Identifying the motivations and expectations of stakeholders, which can include financial, ethical, legal, and social concerns.
- Assessing the level of influence and interest of stakeholders in the project, which can help to prioritise their needs and expectations.
- Communicating effectively with stakeholders to manage expectations, resolve conflicts, and build strong relationships.
- Addressing stakeholder concerns proactively, which can help to prevent potential issues from escalating into major problems.
- Foster a sense of collaboration and engagement among stakeholders, which can lead to increased commitment and support for the project.

The key to success in delivering projects is gaining a strong sense of stakeholder needs and priorities in order to drive out a shared view of the project objectives from the beginning. Setting up stakeholder plans carefully from the project initiation can take time but will ensure a project with stronger connection and more beneficial impact in the long run. Stakeholders will have differing positions, needs and priorities and these often challenge and refine the intended strategy and context for the

project. Conflicts of interest and opinion can arise despite strong planning and these need to be carefully monitored and managed through a stakeholder plan.

To ensure strong support and effective decision-making throughout a project, it is essential for project managers to focus on the benefits that the project will bring and how they align with the priorities and interests of stakeholders. This requires close management and regular adjustments to the stakeholder engagement plan throughout the project delivery.

By understanding the behaviour and effectively managing stakeholders, project managers can make informed decisions to improve the likelihood of project success and minimise the risk of project failure. Additionally, effective stakeholder management can help to build a positive reputation for the organisation, which can lead to increased support for future projects. Project behaviour and stakeholder management are therefore inextricably linked and must be carefully managed to ensure the success of a project.

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	Technical era 1970-1979	Critical success factor list era 1980-1989	Framework era 1990-1999	Stakeholder era 2000+
View of Success	<div>'Iron triangle' (time, cost, quality)</div> <div>Initial identification of success factors</div>	<div>Project relationship with client organisation</div> <div>Success factor lists, not categorised</div>	<div>CSF frameworks, categorising lists</div>	<div>Success linked to short term rather than long term organisational goals</div> <div>The need to include senior management commitment, the external environment</div>
Project Stage	Implementation stage	Implementation stage	Implementation stage	Multiple stages
Stakeholder	Project manager perception	Stakeholder identified as important but not defined	Success linked to internal and external stakeholders	Multiple stakeholder view
Measurement	Surveys, subjective and objective measurement	Lists created intuitively, not based on research findings. Cross sectional	Formal quantitative and qualitative studies	Quantitative and qualitative studies, suggest longitudinal
Gap	<div>Lacked empirical work and did not examine the post implementation stage</div> <div>Lacked work on stakeholders other than project manager</div>	<div>Omitted the planning stage</div> <div>Failure to link PM to strategic management</div>	<div>Omitted the planning stage</div> <div>Reproducing CSF lists, not extending them</div>	Does not mention the board, programme or portfolio director, plus other organisational stakeholders (e.g. Business departments)

Figure 1: Timeline of Success Development (Davis, 2016. p.27)

Table 1: Typical Stakeholder Types

Stakeholder	Role
Communities	External stakeholders who are affected by the organisation's operations. They are concerned with issues such as environmental impact, job creation, and community development.
Creditors	This could be individuals or organisations that have extended credit to the project by lending money or providing goods or services on credit. For example, banks, suppliers, and bondholders. Creditors are entities that have financial claim on the project and expect to be repaid at some point in the future.
Customers / Clients / Members	External stakeholders who purchase the organisation's products or services. They are concerned with issues such as product quality, customer service, and pricing.
Employees	Internal stakeholders who are directly impacted by the organisation's policies and decisions. They are concerned with issues such as wages, benefits, and working conditions. Roles include supervisory, managerial and technical.
Government/ Government Agencies	An external stakeholder, government is concerned with issues such as taxes, regulation, and compliance with laws and regulations. They can have a significant impact on projects by setting regulations and guidelines that must be followed, providing funding or other resources, and having the authority to approve or deny project proposals. They can also affect projects by enforcing laws and policies related to the environment, public safety, and other areas that may impact the project. Additionally, they may be involved in the planning and oversight of projects to ensure they are completed on time and within budget. Overall, the level of impact can vary depending on the specific agency and the nature of the project.
Media	Strong media relationships lead to better brand recognition.
Non-Governmental Organisations	External stakeholders who are interested in the organisation's impact on society and the environment.
Owners	Typically, high-level managers or executives who have the authority to make decisions about the project and allocate resources. They may also be the ones accountable for ensuring that the project is completed on time, within budget, and to the satisfaction of all stakeholders. In some organisations, the project owners may be the same as the organisational owners, but in other cases, they may be separate individuals or groups.
Shareholders/ Investors	Have a financial interest in the organisation and are concerned with its financial performance and profitability.
Suppliers/ Vendors	External stakeholders who provide the organisation with the goods and services it needs to operate. They are concerned with issues such as payment terms and delivery schedules.
Trade Unions	Organisations that represent the interests of workers, and their involvement in projects can vary depending on the nature of the project and the specific union.



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Stakeholder perceptions and project performance

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