

Chapter One

What Is a Stakeholder?

It is never too late to be what you might have been.

George Eliot

Projects require people. People are needed to conceive the idea for the project, design project plans, approve the plans, execute the plans, and close out the project. People are impacted by the outcome of the project. Whether the project is implementing a new software system, a new business unit, or a new bridge, there will be an impact on people. All of these people are stakeholders.

Project Managers Must Be Nimble

This book discusses how to effectively identify, categorize, prioritize, manage, and lead project stakeholders. Projects are temporary endeavors, so project managers must learn how to launch a team of stakeholders, manage the team for the duration of the project, then thank and disband the team when the project is complete. This stands in contrast to operational management, which is more permanent in nature.

Project management is a discipline focused on delivering results and then moving on to the next project. In contrast to operational management, projects have a defined beginning point and a defined end point. Operational management is focused on the tasks and activities required to manage an organization on an ongoing basis.

The temporary nature of projects leads to transient stakeholders. Project stakeholders come and go as the project works through different phases. When the project ends, the stakeholder group is disbanded. Operational management, in contrast, may focus on the same stakeholders for years. An occasional stakeholder may come or go, but the overall stakeholder base is far less transient in operational management than in project management. As a result, project managers must be nimble, adaptable, and constantly vigilant to understand their stakeholder environment.

The Balanced Approach

Project stakeholder management requires a robust skill set. Effective project managers must have expert knowledge of their project scope and plans. They must know what they are trying to do and the constraints upon them to get it done. And they must be able to work with people. Successful project managers deploy a three-pronged approach to managing their projects: technical project management skills, business acumen, and “sixth sense” people skills. (See Figure 1.1.)

Technical Skills

Technical project management skills are the formulas, frameworks, and processes of project management. Technical skills include earned value management, writing a charter, creating a work breakdown structure (WBS), and so on. When we use the term *technical skills* in this book we are *not* referring to knowledge of the underlying technologies, products, or services the project is developing. Expertise in the underlying product technology is not necessarily required for successful project managers. What is required, however, is expertise in the technical skills and frameworks used to manage projects. Successful project

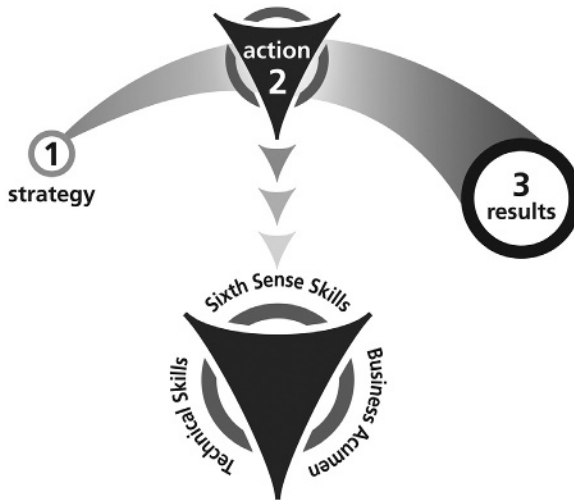


Figure 1.1 The Balanced Approach

managers understand these technical skills and know when to deploy them to facilitate project success. They also know when the standard technical skills are not appropriate and adapt accordingly.

Business Acumen

Business acumen is knowledge of the organization's goals, strategies, and language. Business acumen is understanding how one's project will help the organization achieve its goals and strategies. Effective project managers understand *why* the project is important. At any point in the project life cycle effective project managers can describe not only what they're doing but also why they're doing it and why it matters to the organization. This is business acumen.

The successful project manager also understands the operational and strategic language of the organization. The project manager should know terms such as *return on investment*, *net present value*, and *strategic alignment*. Each organization has its own unique language to describe strategic goals and the tactics deployed to achieve the goals. It is important for the project manager to understand and use this language.

Importance of Business Acumen

Many organizations deploy a Project Management Office (PMO) to oversee major projects. Interestingly, the number of organizations with PMOs is declining and many of those still having PMOs are reducing the staff in them. Recent research from The Hackett Group shows that there may be good reason for the decline. On average, PMOs increase the cost of an organization's information technology (IT) function without delivering improvement to the on-time or on-budget performance of projects.

There's an interesting twist, however. Top performing IT organizations continue to use PMOs and get results from them. Business acumen is one of the key factors correlated to successful PMOs in these top performers. Successful PMOs hold their project teams accountable for business results.

SOURCE: "Most Companies with Project Management Offices See Higher IT Costs, No Performance Improvements," The Hackett Group, November 1, 2012.

"Sixth Sense" People Skills

Third, and most importantly, effective project managers know how to work with people to achieve results. They are strong communicators, good negotiators, effective leaders, and astute observers of human behavior. Decades of research proves that people skills are the most important driver of effective project management. The project manager's ability to harness their expertise and intuition to lead people to successful outcomes is called "A Sixth Sense for Project Management[®]."

Together, the three core capabilities of technical skills, business acumen, and people skills comprise the Balanced Approach. Alone, each of these skills is not enough. Together, they form a powerful method for change. Successful project stakeholder management requires the Balanced Approach.

A Sixth Sense for Project Management®

The first section in the book *A Sixth Sense for Project Management* highlights the need for the project management profession to embrace people skills. Section One, comprised of three chapters, documents research showing that people skills are more highly correlated with project success than project management technical skills.

At the conclusion of Section One project managers are asked to come together to broadcast the message that interpersonal skills are critically important. Others in the profession are champions of people skills, too. The message has been heard; the latest version of the *PMBOK® Guide* includes a chapter devoted to stakeholder management, Chapter 13.

There's still much work to do. Many project managers and project organizations continue to have an unhealthy overemphasis on the technical side of project and change management. Working together, we must continue to strive toward the more balanced approach that has proven to greatly increase the probability of project success.

The Project Management Institute

The Project Management Institute (PMI) is a not-for-profit global project management association. Founded in 1969, PMI has grown from humble beginnings to a powerhouse with almost a half-million people globally holding its foundational professional designation, the Project Management Professional (PMP®).

The Project Management Body of Knowledge (PMBOK® Guide)

PMI correctly recognized that the profession of project management did not have a common knowledge base. In the past, when a group of

project managers got together they did not have common terminology to describe what they were doing. They might take a large part of their meeting figuring out what the others were talking about. Recognizing this gap PMI commissioned a project to create a global standard. The goal was a standard that could be used in almost any project situation. After a number of years of effort the first standard was published in 1987. The standard was named *A Guide to the Project Management Body of Knowledge*. Today, in its fifth edition, we will call this document the *PMBOK® Guide*.

PMBOK® Guide, Chapter 13

For the first time, the *PMBOK® Guide* includes a chapter on project stakeholder management. Chapter 13, Project Stakeholder Management, is one of the 10 knowledge areas. Each of the knowledge areas represents foundational information all project managers must know. Adding project stakeholder management to the knowledge areas is a major and game-changing development.

Increased Emphasis on People Skills Chapter 13 is game-changing for several reasons. First, it is the most attention authors of the *PMBOK® Guide* have devoted to project stakeholders. Stakeholders have always been critical to project success. Regrettably, these skills have not been a major part of a project manager's professional development requirements until recently. Many project managers and organizations incorrectly view project management as a skill mainly focused on technical skills. People and organizations with this misguided understanding are more likely to suffer from failed projects.

People Skills Integrated into Technical Skills A second reason why Chapter 13 is game-changing is because its addition to the *PMBOK® Guide* demonstrates that stakeholder management is integrated into the technical skills required to manage projects. For example, one of the key documents in Chapter 13 is the "Stakeholder Register." The stakeholder register is a form that must be completed to document and

Researching the Value of Project Management

“Researching the Value of Project Management” is a multiyear, multimillion-dollar project sponsored by the Project Management Institute. The goal is to answer the question “Does project management deliver value?” and if it does, “What are the key drivers of value?” Not surprisingly, the study did indeed find that project management delivers value.

However, the study also found that project management does not *always* deliver value. In some cases, project management makes things worse. Project managers make things worse when they do not deploy awareness of the situation to adapt their project management approach and techniques. The study tracked a number of variables and determined which variables, if any, are correlated to project success. Many variables that were investigated, including a number of technical project management skills, did not correlate to project success. Leadership, interpersonal skills, and the project manager’s ability to read the project situation and adapt did correlate to project success.

SOURCE: Mark Mullaly and Janice Thompson, *Researching the Value of Project Management* (Newtown Square, PA: Project Management Institute, 2008).

categorize project stakeholders. Other knowledge areas of the *PMBOK*[®] *Guide* have tools and techniques that are inputs into the stakeholder register. The stakeholder register itself is an input into knowledge areas such as project risk management and project human resources management. In simple language, this means that project stakeholder management is a technical project management skill in addition to an interpersonal skill. Project stakeholder management is integrated into the technical process of project management.

See Chapter 3, *Prioritizing Stakeholders*, for more detail on the stakeholder register.

Holistic Approach to Project Management A third reason why Chapter 13 is game-changing is that it highlights the concept of a holistic approach to project management. As discussed previously, this is called the Balanced Approach. Chapter 13 merges interpersonal skills, technical skills, and, to a more limited extent, business acumen into the required and standardized language of PMP[®]s. This is a major step toward improving project success rates. As a profession, we fail more often than we succeed. A primary reason for this failure is an overreliance on only one of the three types of skills required in the Balanced Approach—technical project management skills. The skills project managers most often use as a crutch are the technical skills. We must embrace the Balanced Approach if we are to improve project success rates. Chapter 13 in the *PMBOK[®] Guide* is a solid step in the right direction.

Disclosure

The author served as a subject matter expert reviewer of the *PMBOK[®] Guide*'s new chapter on project stakeholder management, Chapter 13. One of several individuals selected globally to preview the chapter before final release, the author reviewed a draft version of Chapter 13 and provided feedback in 2011. A number of the author's recommendations were integrated into the final text for Chapter 13.

***PMBOK[®] Guide*, Appendix G**

The prior version of the *PMBOK Guide* (the fourth edition) includes a brief appendix, Appendix G, which mentions interpersonal skills. Appendix G is about six pages long and served the purpose of putting project managers on notice that there is more to their craft than the

technical skills they learned in the preceding 400+ pages of the fourth edition. With Appendix G in the fourth edition and Chapter 13 and an appendix on interpersonal skills in the fifth edition, we are seeing the project management establishment move further toward embracing the importance of the human side of project management.

Stakeholder Defined

Project managers did not previously have a common definition for project stakeholders. With the introduction of Chapter 13 in the *PMBOK® Guide*, we now have a common definition to use. The *PMBOK® Guide* defines a project stakeholder as follows:

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.

In the following section we discuss this definition in more detail.

A Stakeholder Is an Individual, Group, or Organization

Project stakeholders may represent themselves, a group, or an organization. The project manager's approach to managing each stakeholder varies according to which of these categories the stakeholder fits into.

Individuals representing themselves do not need to communicate with others in their constituency to develop consensus. They *are* the constituency. Groups and organizations, however, may have one person who is the main stakeholder representing the group or a combination of stakeholders each of whom must be dealt with individually. The effective project manager understands the level of authority each stakeholder has and reacts accordingly. (See Table 1.1.)

See Section Two, Stakeholder Groups, for details on each stakeholder group.

Table 1.1 Individuals, Groups, and Organizations

| | Individual | Group | Organization |
|------------------------|----------------------|--|--|
| Definition | A single stakeholder | Two or more stakeholders with a common affiliation, such as serving in the same functional area or working in the same product group | A combination of two or more groups |
| Competing interests | None | Multiple | Multiple |
| Lines of communication | One | Multiple—communicate with each person in the group | Multiple and complex—communicate with each person in each group and also across groups |

A Stakeholder May Affect

Stakeholders have the option to make a difference. Anyone who can or does make a difference in a project is a stakeholder. There are numerous ways a stakeholder can affect a project. A few examples are:

- Conceive the idea for the project.
- Initiate the project.
- Set and/or approve the project budget.
- Provide input into project scope.
- Plan the project.
- Approve the project.
- Participate on the project team.
- Publicly support or resist the project.
- Rally a group to support or resist the project.

This broad definition of project stakeholders is likely to result in a large group of people. Many project managers may be surprised at how large their list of stakeholders becomes when they adopt the definition of stakeholders used in the *PMBOK[®] Guide*. One of the implications of a larger list of stakeholders is that project managers will need to improve

their ability to strategically deploy their time across stakeholders and stakeholder groups.

See Chapter 3, Prioritizing Stakeholders, for details on how project managers can strategically deploy their time across stakeholders.

A Stakeholder May Be Affected By

Stakeholders in the previous section were either actively involved in the project or had the choice of becoming actively involved. These stakeholders could affect the project. In this next section of the definition we cast the net more broadly to anyone who might be affected by the project. These people may or may not be able to influence the project. Ideally, we want all stakeholders who are going to be affected by a project to have input into the process. Realistically, in many projects this is not feasible.

Stakeholders May Perceive Themselves to Be Affected By

The next group of stakeholders defined in the *PMBOK*[®] *Guide* are those who perceive themselves to be affected by the project. The concept is that perception is reality. If people think they are stakeholders then they are going to act in ways that they think a stakeholder might act. For example, they might attend project meetings. They might provide feedback on project documents. They might attempt to change the scope of the project. The definition of a stakeholder in the *PMBOK*[®] *Guide*'s Chapter 13 argues that this person, by definition, is a stakeholder.

Indeed, the project manager will need to manage the situation when people think they are stakeholders. Whether it's by diplomatically asking them not to attend team meetings or by deciding to incorporate them into the project, the project manager will use project stakeholder management tools and techniques to manage the situation.

A Decision, Activity, or Outcome of a Project

Stakeholders sometimes are decision makers. In other cases they do not have any decision-making authority. Stakeholders may have the ability to influence decisions others make. Influence can come in the form of

How Do You Manage Individuals Who Perceive Themselves to Be Stakeholders?

This topic has led to interesting conversation in public classes on advanced project stakeholder management. Some project managers argue that they should not be responsible for people who perceive themselves to be stakeholders but who are not actually stakeholders. These people are an annoyance, the argument goes, and just one more problem the project manager must deal with. Calling them a stakeholder indicates, they say, that anyone can force their way into the project. The project manager loses control.

Other project managers think of stakeholders more broadly. They consider this group who perceives themselves to be stakeholders as an important faction that must be managed.

The answer comes down to how we define stakeholders. If stakeholders are defined as only the people *we want* to be on the project, then an individual who perceives himself or herself as a stakeholder is not one. However, if we think of stakeholders more broadly, as defined in the *PMBOK[®] Guide*, then these people become stakeholders.

Steps the project manager goes through to categorize and manage people who perceive themselves to be stakeholders are likely to be the same as the steps for those who are officially on the list. Therefore, individuals who perceive themselves to be stakeholders should be considered stakeholders for the purposes of tracking, categorizing, and managing them.

See Chapter 6, Other Stakeholders, for details on phantom stakeholders who act as stakeholders but are unrecognized as stakeholders by the project manager or the project team.

research, data, opinions, a persuasive argument, or other means such as bringing together a group of like-minded individuals and representing their cause.

Stakeholders might be involved with the entire project or just one aspect of the project. The activities they touch will vary. The

savvy project manager understands that the stakeholders are not a single homogeneous group of people with the same interests. Instead, stakeholders are unique individuals with their own sets of interests, fears, and aspirations.

Our Working Definition of a Stakeholder

For purposes of this book, we will simplify the definition of a stakeholder to the following: people who are subject to, are part of, or have decision making over a project.

This definition captures the essence of the *PMBOK*[®] *Guide* definition but is simpler and uses fewer words. In general, anyone involved in the project in any manner is considered a stakeholder.

Stakeholder Management across Methodologies

The *PMBOK*[®] *Guide* focuses on the waterfall method of project management. In the waterfall method the project flows in phases from initiating, to planning, to executing, to monitoring and controlling, and finally to closing. Each phase, in theory, flows into the next. Project managers using the waterfall method will find that the concepts discussed in this book will apply directly to their projects.

The concepts in this book, however, are not exclusive to the waterfall method. The fundamentals of stakeholder management, as discussed in this book, are equally relevant to agile, lean, and other forms of project management.

Further, business analysts will find value in the pages of this book. As a business analyst goes through the work of capturing business requirements and gaining consensus, stakeholder management will be a core skill for success.

See Section Three, Stakeholder Communication and Conflict, and Section Four, General Stakeholder Management Skills, for more detail on the general skills required to manage stakeholders in any situation.

Stakeholder Management Is Universal

Project stakeholder management is about people. People are involved in all projects. This is true regardless of the project management methodology used. There are many different technical project management methodologies, including waterfall, agile, extreme, and lean. The tools and techniques discussed in this book can be applied to any form of project management and change management.

Also, stakeholder management tools and techniques can be used in organizations of all sizes, across different industries, in organizations with different types of cultures, and so on. What is different, however, is the specific way the tools and techniques are deployed. No two project environments are the same so savvy project managers understand how to adapt their stakeholder management tools and techniques to the specific environment their project is operating in.

Stakeholder Management Is Like a Game of Golf

Golfers use almost exactly the same bag of clubs on all different types of golf courses. However, the details of each shot are different depending on what type of material the ball is resting on, the wind conditions, whether the hole is above or below the golf ball, and so on.

Think of the bag of clubs as the project manager's stakeholder management tools and techniques. Think of each project as a different golf course. The way the tools and techniques are applied will change based on a variety of conditions that will be discussed in this book.

Summary

In summary, stakeholder management is required for all types of projects and change management processes. The tools and skills developed in the discipline of stakeholder management cut across all project

management frameworks. The ability to identify, mobilize, motivate, and lead stakeholders will always be in demand for the individuals who lead change.

The discipline of stakeholder management is essential to project success. As part of the Balanced Approach, the successful project manager is an expert on managing the people in the project and harnessing their energy to achieve the desired project goals.

We defined stakeholders as “people who are subject to, are part of, or have decision making over a project.” Building on this definition, we will assign stakeholders into groups, categorize and prioritize stakeholders, and discuss how to communicate to and lead stakeholders.

A project may have many different stakeholders, all bringing their own unique needs and desires. Without proper management techniques, this can become overwhelming for the project manager. The first technique we will discuss is how to categorize stakeholders to bring clarity and understanding to the fog of project implementation. This is the topic of the next chapter, *Categorizing Stakeholders*.

