**PROCUREMENT IN PROJECT ENVIRONMENT**

**TOPIC 3: INTRODUCTION TO PROJECT MANAGEMENT**

# 1.0 Description of Project Management

**There are three ways in which project mgt can be described;**

Generally, ***Project management is the process of the application of knowledge, skills, tools, and tech- niques to project activities to meet project requirements***. Project management includes the skills, tools and management processes required to undertake a project successfully.

From the above, project management comprises:

* A set **of skills**. Specialist knowledge, skills and experience are required to reduce the level of risk within a project and thereby enhance its likelihood of success.
* A suite of t**ools**. Various types of tools are used by project managers to improve their chances of success. Examples include document templates, registers, planning software, modeling software, audit checklists and review forms.
* A series of **processes**. Various management techniques and processes are required to monitor and control time, cost, quality and scope of projects. Examples include time management, cost manage- ment, quality management, change management, risk management and issue management.

# 2.0 Project Conceptual Framework

Successful project management has several significant characteristics. To understand the value of project management, it is necessary to understand the fundamental nature of a project; the core characteristics of project management processes; how success is evaluated, the roles, responsibilities, and activities of a project manager and the expertise required; and the context in which projects are performed. This is conceptually illustrated in Figure 1.

**** **A conceptual framework is defined as a network or a “plan” of linked concepts.**

Figure 1: Project Conceptual Framework

Project management is accomplished through the application and integration of project management processes of initiating, planning, executing, monitoring and controlling, and closing. The project manager is the person responsible for accomplishing the project objectives.

The general definition of project management implies that project management is an interrelated group of project management processes that enable the project team to achieve a successful project. There are a total of 42 processes. These project management processes manage inputs to, and produce outputs from, specific activities; the progression from input to output is the nucleus of project management and requires integration and iteration. For example, a feasibility report could be an input to a design phase; the output of a design phase could be a set of plans and specifications. This progression requires project management acumen, expertise, tools and techniques, including risk management, contingency development, and change control. Figure 1 illustrates the project context, its conceptual boundaries, or scope lines, as well as the process groups required to manage the inputs and deliver the outputs.

# Project Management Process Groups

## The Process Groups

The project management processes are divided into five groups as depicted in Figure 1. These groups are ***initiating processes***, ***planning processes***, ***executing processes***, ***monitoring and controlling processes***, and ***closing processes***.

* **Initiating processes** define and authorise the project or a project phase.
* **Planning processes** define and refine objectives and plan the course of action required to attain the objectives and scope that the project was undertaken to address.
* **Executing processes** integrate people and other resources to carry out the project management plan for the project.
* **Monitoring and controlling processes** regularly measure and monitor progress to identify variances from the project management plan so that corrective action can be taken when necessary to meet project objectives.
* **Closing processes** formalise acceptance of the product, service, or result and bring the project or a project phase to an orderly end.

Each project management process is part of one of the five project phases. Figure 2 illustrates the relative depth, breadth, and interrelationship between these project management process groups.



Figure 2: Project Process Groups

Several significant observations regarding the nature of project management can be made from this figure:

* The breadth or range of project management is comprehensive — that is, it begins with **initiating** and continues through **closing**; these processes are coincident with the start and end of the specific project itself, respectively.
* **Monitoring and controlling** occur throughout the duration of the project and have a range relatively similar to that of **executing**.
* Indicating a project’s temporary nature and the importance of the timing of the deliverable, **closing**

begins relatively shortly after **initiating** concludes.

* **Planning** and **monitoring and controlling** have a collective depth similar to that of **executing**, illustrating that these activities require a level of effort and have an implication similar to that of constructing the product, providing the service, or producing the result.

## Process Group Interaction

The level of interaction of the five processes indicates a strong relational dependence not exclusive of one another. One process does not simply end and the next one begins. The presence of this inter-relationship and range is a function of progressive elaboration. Projects are executed in increments and details are exposed and developed through the progression of time — objectives are developed, discoveries are made; investigations, studies, and surveys are completed; analysis is performed; constraints are changed; resources are amended; contingencies are exercised; changes are managed; risks are mitigated; and ***Force Majeure*** (i.e. unforeseeable or unpreventable circumstances) occurs.

To manage the breadth or range of a project, active and proactive project management is required through- out the duration of the project. It cannot be simply initiated and/or planned and left alone; it must be ntinually planned and monitored and controlled. Sustained reactive project management is indicative of incomplete or absent planning and/or monitoring and controlling.

## Project Phases versus Process Groups

Project management process groups are not project phases. In fact, the process groups may need to be repeated for each phase, such as study, programming, engineering, procurement, construction, and commi- ssioning. A process group or project phase is not discrete; they are interdependent and require integration. Also, project management must ensure continuity as a project progresses through processes and phases.

# Major Project Management Documents

Three important project management documents are the ***project charter*** and the ***project management plan and work breakdown structure***.

## Project charter

A **Project Charter** or **Project Definition** is a short document that that gives a statement of the scope, objectives and participants in a project. It provides a preliminary delineation of roles and responsibilities, outlines the project objectives, identifies the main stakeholders, and defines the authority of the project manager. It serves as a reference of authority for the future of the project. The [***terms of reference***](http://en.wikipedia.org/wiki/Terms_of_reference)are usually part of the project charter.

The project charter establishes the authority assigned to the project manager. It is considered industry-best practice.

The purpose of the project charter is to document:

* Reasons for undertaking the project  High level risk management plan
* Objectives and constraints of the project
* Directions concerning the solution
* Identities of the main stakeholders
* In-scope and out-of-scope items

The three main uses of the project chart are:

* Communication plan
* Target project benefits
* High level budget and spending authority
* **To authorise the project** — using a comparable format, projects can be ranked and authorised by

##### [Return on Investment](http://en.wikipedia.org/wiki/Return_on_Investment).

* **To serve as the primary sales document for the project** — ranking [stakeholders](http://en.wikipedia.org/wiki/Project_stakeholder) have a 1-2 page summary to distribute, present, and keep handy for fending off other project or operations runs at project resources.
* **To serve as a focus point throughout the project** — for example: project as people walk in to team meetings and use in [change control](http://en.wikipedia.org/wiki/Change_control) meetings to ensure tight scope management.

## Project Management Plan

A **Project Management Plan (PMP)** is a fundamental tool for the project manager to deliver the project successfully. This document is a strategic and formalised roadmap to accomplish the project’s objectives by describing how the project is to be executed, monitored and controlled, which includes creating a project work breakdown structure, identifying and planning to mitigate risk, identifying manners in which to effectively communicate with stakeholders and other project team members, and developing a plan to manage changes. It is essentially a guide for executing the project, and a manner in which to gain buy-in and approval from stakeholders and sponsors prior to commencement. This plan is a living document that is updated and revised throughout the project at strategic milestones or significant events to accommodate the progressive, elaborative nature of the project. The project management plan will vary based on size, complexity, risk, and/or sensitivity of the project. Implementing the project management plan requires competency in all of the project management knowledge areas and is critical to the success of the project.

# 5.0 Work Breakdown Structure

A **work breakdown structure (WBS)** is a deliverable-oriented decomposition of a project into smaller components. It defines and groups a [project'](http://en.wikipedia.org/wiki/Project)s discrete work elements in a way that helps organise and defines the total work scope of the project.

A WBS element may be a [product](http://en.wikipedia.org/wiki/Product_%28business%29), [data](http://en.wikipedia.org/wiki/Data), a [service](http://en.wikipedia.org/wiki/Service_%28economics%29), or any combination. A WBS also provides the necessary framework for detailed cost estimating and control along with providing guidance for schedule development and control. Figure 3 is an example of a WBS.



Figure 3: Example of a WBS

A WBS is created with the project team from the top of the chart down to the bottom, and serves many purposes:

* By making the project deliverables more precise, the project team knows exactly what has to be accomplished.
* The WBS aids in assigning responsibilities, resource allocation, and monitoring and controlling the project.
* The precision of the WBS aids in improved cost, risk, and time estimates.
* The WBS offers an additional opportunity to confirm with the stakeholders the project’s requirements and objectives.

# The Project Manager

## What a Project Manager Does

Briefly, project managers fulfill the following broad requirements:

* Define and review the business case and requirements by regular reviews and controls to ensure that the client receives the system that he/she wants and needs.
* Initiate and plan the project by establishing its format, direction, and base lines that allow for any vari- ance measurements and change control.
* Partner with the end users, work with project sponsors and other management to establish progress and direction of the project by achieving goals, reaching targets, solving problems, mitigating risks.
* Manage the technology used, people, and change in order to achieve goals, reach targets, and deliver the project on time and within budget.
* Manage the project staff by creating an environment conducive to the delivery of the new application in the most cost-effective manner.
* Be able to manage uncertainty, rapid change, ambiguity, surprises, and a less defined environment.
* Manage the client relationship by using an adequate direct yet complete and formal reporting format that compliments a respected and productive relationship.
* Drive the project by leading by example, and motivating all concerned until the project accomplishes its goal.

## Necessary Project Manager’s Skills

The skills that a good project manager possesses are many and varied, covering the entire spectrum of the human personality. We can divide these skills into a number of specific categories, namely:

### Personal Skills

Project Managers must be able to motivate and sustain people. Project team members will look to the project manager to solve problems and help with removing obstacles. Project managers must be able to address and solve problems within the team, as well as those that occur outside the team. There are numerous ways, both subtle and direct, in which project managers can help team members. Some ex- amples include the following:

* **Manage by example (MBE)**. Team members will be closely watching all actions of the project man- ager. Therefore, project managers must be honest, direct, straightforward, and knowledgeable in all dealings with people and with the project. A good manager knows how to work hard and have fun, and this approach becomes contagious.
* **A positive attitude**. Project managers must always have a positive attitude, even when there are substantial difficulties, problems, or project obstacles. Negative attitudes erode confidence, and a downward spiral will follow.
* **Define expectations**. Managers who manage must clearly define what is expected of team members.

It is important to do this in writing — get agreement from the individual team members. This leaves no room for problems later, when someone states “***It’s not my job***.” Performance expectations ***must*** be defined at the start of the project.

* **Be considerate**. Project management is a demanding job with a need for multiple skills at many levels. Above all, be considerate and respectful, and give people and team members the time and consideration they deserve. Make people aware that their efforts are appreciated and the work that they do is important, because it is. A letter, personal word, or e-mail of appreciation goes a long way.
* **Be direct**. Project managers are respected if they are direct, open, and deal with all types of problems. Never conceal problems or avoid addressing them. If a problem is bigger than the project manager or the team can deal with, escalate it to senior management. Never make commitments that cannot be delivered.
* Finally, a favorite and personal rule of the author: “**Under promise, then over-deliver**.”

### Technical Skills

There are two schools of thought about the level needed for technical skills. Some project managers prefer to have little technical knowledge about the projects they manage, preferring to leave the technical manage- ment to other junior managers, such as programming managers or network managers. Others have detailed technical skills of computer languages, software, and networks.

There is no hard and fast rule. It really depends on the type and size of projects, their structure, resources available, and the project environment. Questions that project managers should ask include the following:

1. What types of technical problems require management?
2. Who will solve them?
3. Is it done with quality and satisfaction?
4. Who can I rely on in my project team?
5. What outside resources, if any, can I draw on for assistance?

As with all employees, project managers should have the technical knowledge and skills needed to do their jobs. If managers lack these skills, training is one option; being mentored or coached by a more experi- enced individual is another. Senior management should ask the question, “Do your project managers need more technical skills than they already possess?”

On larger complex projects, such as systems integration projects or multiple-year projects, there are frequently too many complex technologies for the project manager to master. Technical training that provides breadth may be useful. On smaller projects, the project manager may also be a key technical contributor. In this case, technical training may enhance the abilities of project managers to contribute technically, but it is unlikely to improve their management skills.

One thing is abundantly clear — the project manager is ***ultimately*** responsible for the entire management of the project, technical or otherwise, and will require solutions to the technical issues that will occur.

### Management Skills

Project managers need other key skills besides those that are purely technical to lead and deliver on their projects successfully. A good project manager needs to understand many facets of the business aspect of running a project, so critical skills touch on expertise in the areas of organisation, communication, finance, and human resources.

The following are examples of the management topics used in training effective project managers:

* Project planning, initiation, and organisation  Managing risk and making decisions
* Recruiting people and keeping them
* Effective project negotiation
* Software tools for project management
* Accurate estimating and cost control
* Project execution and control
* Developing powerful project presentations and reports
* Personal and project leadership
* Effective problem management
* Performance management
* Managing the projects within the organisation
* Project management professional (PMP) exam review
* Growing and sustaining a high-performance team
* Managing change within an organisation

This last skill cannot be over-emphasised. Although we worry about whether the technology selected is the correct one for the organisation and will lead to success, projects do not generally fail because of lack of adequate technology. Statistically, most projects fail because the ***soft science*** portions of the project have not received enough attention — the human factor has not been adequately addressed. Change, whether for good or for bad, is stressful on an organisation and its personnel. The ability to manage this change is one area in which any good project manager would do well to hone skills.

### Coping Skills

A good project manager has to acquire a number of skills to cope up with different situations, conflicts, uncertainty, and doubt. This means:

* Being flexible
* Being persistent and firm when necessary
* Being creative, even when the project does not call for it
* Absorbing large volumes of data from multiple sources
* Being patient but able to differentiate between patience and action
* Being able to handle large amounts of continuous, often unrelenting stress

Additionally, good project managers have high tolerance for surprises, uncertainty, and ambiguity. Projects rarely progress the way that they are defined, and managers need to manage the uncertainty that comes with that.

## Manage One Project — or Many?

There is no simple answer to this question: some managers are able to juggle multiple projects and dis- parate deadlines successfully, and others are not. In these days of multiple projects that have to be delivered quickly, it is very possible that management will require managing multiple projects. However, this brings a risk. Will project managers be stretched too thin? Again, there is no single, reliable answer. Project managers and senior management need to ask themselves some basic questions:

* How much support will be provided?
* How many people are on the project? Are they part-time or fulltime?
* What are the management challenges? An adequately budgeted project may require less effort to manage than one that is extremely thin.
* Are all the projects in the same physical location or will the project manager spend a lot of time travelling?
* Do all the projects involve the same technology? The same business cultures? The same set of stakeholders?
* How many of the projects have important deadlines that are close together?

The answers to these questions will aid in determining whether multiple projects can share a management resource. The more complex the projects from the standpoints of staffing, budgeting, and technology, the more likely it is that they will need a dedicated resource to manage them adequately.

# 7.0 Project Management Knowledge Areas

In the ***Project Management Body Of Knowledge (PMBOK) Guide Edition Four***, the Project Management Institute (PMI) identifies nine skill areas for project managers:

* Project Integration Manage- ment
* Project Scope Management
* Project Time Management
* Project Procurement Management
* Project Human Resource Management
* Project Communications Management
* Project Quality Management
* Project Cost Management
* Project Risk Management

In the PMBOK Guide Edition Four, the PMI refers to these nine skill areas as sets of Knowledge Areas. Each knowledge area is briefly described below.

### Project Integration Management

Project Integration Management skills are used to integrate the work in other core areas. The primary focus of project integration management is the creation of a cohesive, comprehensive, and well-designed project plan and the execution of that project plan. Another component of this skill is the overseeing of the change control process, both as it is developed in the plan and as it is executed throughout the life of the project.

In summary, this knowledge area involves:

* Developing a project charter
* Developing a preliminary project scope statement
* Developing a project management plan
* Directing and managing project execution
* Monitoring and controlling project work
* Controlling integrated change
* Closing project

### Project Scope Management

This is the skill project managers use to define the work that needs to be done on any given project. This entails making sure that all the work required is included and that no unneeded work is added. It includes formal project and phase initiations, developing the written scope statement (with scope exclusions), and listing major and intermediary project deliverables. It also includes the formal agreement by major players to the scope as defined and scope change control (the ongoing process of evaluating project changes).

In summary, this knowledge area involves:

* Scope planning
* Scope definition
* Creation of Work Breakdown Structure (WBS)
* Scope verification
* Scope control

### Project Time Management

This is the skill that most people associate with project management because it is crucial for keeping on schedule. It includes creating or refining the project work breakdown structure, determining dependency relationships among the project tasks, estimating the effort and duration of the tasks, and creating a project schedule. It also includes the control component of monitoring and updating the project progress and making changes to estimates and schedules. A common misunderstood facet of project management is that, by the nature of projects, estimates and schedules will change. As long as the project manager stays on top of these changes, this should not affect the final target completion date.

In summary, this knowledge area involves:

* Activity definition
* Activity sequencing
* Activity resource estimating
* Activity duration estimating
* Schedule development
* Schedule control

### Project Procurement Management (also known as Project Contract Management)

This involves developing, executing, and monitoring contracts with service and product suppliers. It also includes deciding what must be procured, soliciting bids for the products or services, selecting the appro- priate vendour, and closing the contract once the project has been completed.

In summary, this knowledge area involves:

* Planning contracting
* Planning purchase and acquisitions
* Requesting seller responses
* Selecting sellers
* Contract administration
* Contract closure

### Project Human Resource Management

This addresses the people involved in a project. It includes the planning components of determining what skills are needed to perform the various project tasks, defining the participants’ roles and responsibilities, and selecting potential candidates for those tasks. It also includes acquiring the appropriate resources (either internally, from external departments, or even external companies) and any professional develop- ment that the team members may need to improve their project performance.

In summary, this knowledge area involves:

* Human resource planning
* Acquiring project team
* Developing project team  Managing project team

### Project Communications Management

This is the often neglected, yet perhaps the most important, component of project management. It includes deciding who needs what information, to what level of detail, and in what media and time frames. These needs are documented in the communication plan subsection of the project plan so that parties can review them and then follow them. The communication plan may also specify the format to be used for each communication and turnaround times for each communication. Once the plan is approved, project man- agers then use their communication management skills to make sure the information is gathered and distributed according to the plan.

In summary, this knowledge area involves:

* Communications planning
* Information distribution

### Project Quality Management

* Performance reporting  Managing stakeholders

This has three subsets, generally referred to as Quality Planning, Quality Assurance, and Quality Control. In Quality Planning, a project manager defines what represents quality and how quality will be measured. In Quality Assurance, the project manager watches the overall quality of a project to see that standards will be met. In Quality Control, the project manager examines actual project outputs to evaluate their conform- ance to the standards set in the plan.

In summary, this knowledge area involves:

* Quality planning  Performing quality assurance  Performing quality control

### Project Cost Management

This includes determining the project cost categories, estimating the use of each resource in each category, budgeting for that estimated cost and getting it approved, and then controlling the cost as the project progresses. Both fixed costs (such as equipment and software purchases) and variable costs (such as team member time) are included in the planning and estimating and are then monitored and controlled.

In summary, this knowledge area involves:

* Cost estimating  Cost budgeting  Cost control

### Project Risk Management

This starts with identifying the potential risks to a project and then determining the likelihood of each risk happening and how that risk would impact the project if it occurred. From this list and ranking, conti- ngencies are developed for the highest risks. As the project is executed, one can use these contingencies to regain control of a project if a potential risk does occur.

In summary, this knowledge area involves:

* Risk management planning
* Risk identification
* Qualitative risk analysis
* Quantitative risk analysis
* Risk resource planning
* Risk monitoring and control

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* 1. **Project Management vs Program Management vs Portfolio Management**

It is important to know the concepts of Project Management, Program Management and Portfolio Management and the differences between them. They are compared in Figure 4.

Portfolio Management: Business leadership Alignment

Value optimisation — risk/reward Program selection Portfolio adjustment

Program Management: Business sponsorship Ownership of benefits Benefits streams

All elements of business system Multiple projects

Project Management Delivery of capabilities Inputs

Budget Schedule

Figure 4**:** Project Management vs Program Management vs Portfolio Management

* 1. **Project and Project Management**

**Project** — As per the [PMBOK Guide](http://pmstudycircle.com/2012/07/what-is-the-pmbok-guide/) 4th Edition, ***A project is a temporary endeavor undertaken to create a unique product, service or result***.

**Project Management**— As per the [PMBOK Guide](http://pmstudycircle.com/2012/07/what-is-the-pmbok-guide/) 4th Edition, ***Project Management is the application of knowledge, skill, tool, and technique to project activities to meet the project requirements***.

## Program and Program Management

##### Program — By definition, A Program is a group of related projects managed in a coordinated way to get benefits and control not available from managing them individually.

**Program Management** — By definition, ***Program Management is the centralised coordinated management of a program to achieve the program’s strategic objectives***. Here, only inter-related and inter-dependent projects are managed as a group to achieve desired benefits.

Benefits of Program Management are:

* less conflicts among projects
* optimal utilisation of resources
* resource constraints are minimised
* co-ordination among projects.

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* 1. **Portfolio and Portfolio Management**

**Portfolio** — By definition, ***A portfolio is a group of related, or non-related projects, or programs***. A portfolio may consist of several non-related projects without having a single program. For example, two non-related projects will be handled under Portfolio Management instead of Program management because in program management only related projects are managed.

**Portfolio Management**— By definition, ***Portfolio Management is the centralised management of projects or programs to achieve strategic business objectives***. In Portfolio Management, the job of the centralised management is to identify, prioritise, authorise the projects or programs and control and manage them to achieve strategic business objectives.

Portfolio Management sets the priority of projects, or programs in a group. Portfolio Management does not oversee any individual project, or the program.

**Benefits of Portfolio Management are**

* optimal allocation and utilisation of resources
* projects, or programs constantly receive support
* less conflicts among projects, or programs
* better communication among projects, or programs
* co-ordination among projects, or programs.

Program and Portfolio Management facilitate better communication and co-ordination among projects and programs resulting in enormous benefits of economies of scale and lesser risks.

## Summary

The concepts of project, program and portfolio are summarised as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Responsible Person** | **Scope** | **Success Criteria** |
| **Project** | Project Manager | Well defined scope | Timely completion, under budget, and quality of output of the project |
| **Program** | Program Manager | Larger scope | Degree to which it satisfies the objective it was undertaken for |
| **Portfolio** | Portfolio Manager | Business scope that is aligned with organisation’s strategic goal | Combined performance of its components |

# Project Stakeholder Management

Projects are about conditions and circumstances which give rise to uncertainty about the future. Those conditions and circumstances — and their management — are things about which many varied people have an interest — some more directly than others. Therefore, a first and fundamental step is to identify ***stake- holders*** (defined as anyone with an interest). Second, not all stakeholders have the same level of ***hold*** — that is, ***care*** or ***interest***. Therefore, it is important to differentiate stakeholders.

**Project Stakeholder Management** is an important tool which allows one to identify which stakeholders might have the most influence over the success or failure of the project, which are the most important supporters and opponents when implementing a project. Based on this, managers can adjust their decisions and, also, can make plans for dealing with stakeholders having different interests and different levels of influence.

Therefore, project stakeholder management represents a process of stakeholder interest analysis and harmo- nisation in order to identify the most sustainable solution for long-term company development. It is also a communication process which allows to consult, inform and to explain to all project stakeholders the implemented project strategies and their implication.

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* 1. **Project Stakeholders**
		1. **Stakeholder Definition**

According to the Project Management Institute’s Project Management Body of Knowledge (PMI PMBOK) a project stakeholder is defined as follows:

##### A stakeholder is any individual, group, or organisation who may positively or negatively be affected by, or cause an effect on, the decisions, activities, or outcomes 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 conflict 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.

Stakeholders are crucial to the success of a project. If they neglected, they will actively work against the project. If they managed well, they will actively promote the project manager and his/her project.

* + 1. **Main Categories of Stakeholders and their Interests**

There are several classifications of stakeholders which allow us a better understanding of the stakeholder concept, and, also to identify the way they are influencing, or they are influenced by, the project.

### Stakeholder Classification According to Position in Respect with the Organisation

According to their position in respect with the organisation, we can identify ***Internal Stakeholders*** and ***External Stakeholders***. We can appreciate that the project strategy is, in fact, the result of the interaction of the internal stakeholders and external stakeholders.

### Internal Stakeholders

These are stakeholders who have a range of interests in the different parts of the project and its activities. Internal stakeholders include: shareholders, employees, managers and Board of Directors.

* **Shareholders** — These are key internal stakeholders. As investors, they take a financial stake in the project by purchasing shares and they are interested for the best return on investment which is usually made in the form of a share of the profits.

Their main interests are orientated to increase the efficiency of the project by reducing the costs, in order to increase the dividends paid to the investors.

* **Employees** — These are another important internal stakeholder group because, by their energy, professionalism and involvement, they contribute to the organisation development.

Their main interests are mainly related to high and correct level of remuneration, appropriate and safe work conditions, participating at different professional and personal developments programmes, flexible working programme, and different promotion and development opportunities. All their interests determine an increase of labour costs and are contradictory to shareholders’ interest.

* **Managers and Board of Directors** — These represent a small but powerful internal stakeholder group. As they are directly involved in the company and its project, they can influence important decisions related to other company acquisitions, merges, liquidation of parts of the company, new market penetrations. There is conflict between the managers’ interests and shareholders’ interests. Shareholders are mainly interested by the company value maximisation, while the managers prefer to expand the company, even if it could determine, on a short term, a depreciation of the company value and supplementary related risks. Sometimes, decisions related to external growth strategy have as a support the personal motivation and

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managers’ vanity. Adopting such kind of a strategy is often associated with an efficient management and a successful manager. Even if on a long term, these decisions could damage the company’s future.

### External stakeholders

These stakeholders are individuals, companies or groups outside the company which are influenced by, or could influence, company decisions and project activities. The main categories of external stakeholders are: customers, suppliers, business partners, community, and society.

* **Customers** — These have a real role in helping the business to develop and grow as they are expecting good value, high-quality products and great services. Identifying the customers’ interests has to be the main concern of each company because it represents a source of activity improvement ideas. In this respect, companies achieve this through close relationships and consultation with customers, market researches and surveys of customer opinion. All these efforts orientated to customer satisfaction contri- bute to longer-term relationships between a company and its customers based on loyalty, partnership, mutual advantage and satisfaction. On the other hand, all these activities imply significant human and financial efforts which could affect, on short term, the company profit-ability and the shareholders’ interests.
* **Suppliers and business partners** — These also hold a stake in the company to which they provide materials and services. These entities are mostly interested in developing a long-lasting business relation based on mutual advantage and promotion. On the other hand, companies should ask to their business partners to respect their own internal standards, to follow all relevant laws, to promote best practice and respect environmental conditions (such as using sustainable sources for paper or dealing responsibly with waste products) in order to avoid that the partnership does not influence in a negative

way the company image.

* **Community and society** — This expects the company to adopt an ethical and moral behaviour, to involve and financially support the community life through voluntaries activities, sponsorships, donations, charity fundraising, partnerships, to finance culture, education system etc. Also, companies are expected to implement in their business practices ethical, moral and environmental values, to promote chance equality, open dialogue etc. All these activities require important financial and human efforts materialised in supplementary costs.

### Stakeholder Classification by their Relationship to the Project

Another way to classify/characterise stakeholders is by their relationship to the project/effort in question. According to this classification, we can identify ***Primary Stakeholders***, ***Secondary Stake-holders*** and ***Key Stakeholders***.

### Primary Stakeholders

These stakeholders are the people or groups that are directly affected, either positively or negatively, by a project or the actions of an organisation. In some cases, there are primary stakeholders on both sides of the equation: a regulation that benefits one group may have a negative effect on another. That is, a decision can influence, at the same time, positively and negatively different groups.

Examples are:

* An increase of salary which positively influences the employees’ interests and negatively the interest of shareholders.
* A rent control policy which benefits tenants but may hurt landlords.

In summary, primary stakeholders are those ultimately affected, either positively or negatively, by a project's actions.

### Secondary Stakeholders

These stakeholders are people or groups that are indirectly affected, either positively or negatively, by a project or the actions of an organisation. Eg A program to reduce domestic violence, for instance, could have

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a positive effect on emergency room personnel by reducing the number of cases they see. It might require more training for police to help them handle domestic violence calls in a different way. Both of these groups would be secondary stakeholders.

In summary, secondary stakeholders are the ***intermediaries***, that is, persons or organisations that are indirectly affected by a project's actions.

### Key Stakeholders

These stakeholders are people or organisations who might belong to either or neither of the first two groups. They can have a positive or negative effect on a project, or are important within or to an organisation, or institution engaged in a project.

Key stakeholders play an important role in the decision-making process and also in its implementation because they are involved in company management or financing, they are policy makers, officials, important professionals or community personalities having a strong position or influence.

The director of an organisation might be an obvious key stakeholder, but so might the line staff — those who work directly with participants — who carry out the work of the project. If they do not believe in what they are doing or do not do it well, it might as well not have begun. Other examples of key stakeholders might be funders, elected or appointed government officials, heads of businesses, or clergy and other community figures who wield a significant amount of influence.

In summary, key stakeholders (who can also belong to the first two groups) are those who have significant influence upon, or importance within, a project.

### Types of Project Stakeholders

Using the above discussion, project stakeholders include:

* Specific individuals, groups of people or organisations.
* Internal individuals or groups (within the organisation) or external individuals or groups (outside the organisation).
* Contributors to the project — they may provide products or services that contribute to project objectives.
* Recipients of products or services provided by the project.
* Individuals or groups that are interested in, or can influence, the outcome of the project.
* People with competing objectives or opposing views that can create conflict or resistance to the project.
* Individuals or groups who are affected by how the project is done and may provide opposition during the project.

Stakeholders may be at different levels within the organisation and may possess different authority levels, or they may be external to the performing organisation for the project.

* 1. **The Project Stakeholder Management Process**

Project stakeholders Management is a five-step process:

Step 1: Identification of project stakeholders

Step 2: Discovery and understanding of project stakeholder interests

Step 3: Analysis and mapping of project stakeholders

### Identification of Project Stakeholders

Step 4: Management of project stake- holder expectations

Step 5: Evaluation of the project stake- holder management process

Identifying and understanding project stakeholders and their interest represents the starting point of designing the project strategy because the main aim of project strategic planning is to harmonise the different and divergent interests of stakeholders.

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##### By definition, Project stakeholder identification is the process of identifying all people or organisations impacted by the project, and documenting relevant information regarding their interests, involvement, and impact on project’s success.

Stakeholder identification involves identifying all potential project stakeholders and relevant information about them, such as their roles, departments, interests, knowledge levels, expectations, and influence levels.

Key stakeholders are usually easy to identify. They include anyone in a decision-making or management role who is impacted by the project outcome, such as the sponsor, the project manager, and the primary customer.

It is critical for project success to identify the stakeholders early in the project, and to analyse their levels of interest, expectations, importance and influence. A strategy can then be developed for approaching each stakeholder and determining the level and timing of the stakeholders’ involvement to maximise positive influences and mitigate potential negative impacts. The assessment and corresponding strategy should be periodically reviewed during project execution to adjust for potential changes.

In this phase it is very important to develop a creative thinking process in order to identify all the project stakeholders, and not only the obvious ones. In this respect, it is highly recommended to use some methods which stimulate creativity, such as:

* **Brainstorming** — This involves the project manager getting together with people in his/her team, officials, and others already involved in or informed about the project and starting to call out categories and names of stakeholders. Part of the point of brainstorming is to come out with anything that comes to mind, even if it seems silly. On reflection, the silly ideas can turn out to be among the best, so one should be as far-ranging as he/she can. After 10 or 15 minutes, stop and discuss each suggestion, perhaps identifying each as a primary, secondary, and/or key stakeholder.
* **Collecting categories and names of stakeholders from informants in the community** (if they are not available to be part of a brainstorming session), particularly members of a population or residents of a geographic area of concern.
* **Consulting with organisations** which are, or have been, involved in similar projects, or that work with the population or in the area of concern.
* **Organising community meetings and other communication activitie**s for informing about the project.
* If appropriate, **advertising** — One can use some combination of the media — often free, through various community service arrangements — community meetings, community and organisational newsletters, social media, targeted e-mails, announcements by leaders at meetings and religious gatherings, and word of mouth to get the word out. One may find people who consider themselves stakeholders whom he/she has not thought about.
* **Getting more ideas from stakeholders** as one identifies them and expanding the list until all potential stakeholders are included.

### Discovery and Understanding of Project Stakeholder Interests

Stakeholders’ interests can be many and varied. Some stakeholders’ interests may be best served by carrying the project forward, others stakeholders’ interests by stopping or weakening it. Even among stakeholders from the same group, there may be conflicting concerns. Some of the many ways that stakeholder interests may manifest themselves are as follows:

* **Potential beneficiaries may be wildly supportive of an effort, seeing it as an opportunity or the pathway to a better life… or the non-beneficiaries may be ambivalent or resentful toward it**. The project may be embarrassing to them (e.g., adult literacy) or may seem burdensome. They may not under- stand it, or they may not see the benefit that will come from it. They may be afraid to try something new, on the assumption that they will fail, or will end up worse off than they are. They may be distrustful of any people or organisations engaged in such a project, and feel they are being looked down on.
* **Some stakeholders may have economic concerns**. Sometimes of these concerns are merely selfish or greedy — as in the case of a corporation with billions in annual profits unwilling to spend a small part of that money to stop its factories from polluting — but in most cases, they are legitimate.

Economic concerns may also work in favour of a project. An initiative to build one or more community clinics can provide construction jobs, orders for medical equipment, jobs for medical professionals and paraprofessionals, and economic advantages for the community. It might be backed, therefore, by unions, equipment manufacturers, professional associations, and local government, largely for economic reasons.

* **Business people may have concerns about such things as universal health care or regulation**. While these may be good for the larger society, they may actually hurt some businesses. Especially for very small business, where a slight change in profits may mean not a drop in share price, but the inability to sustain one’s livelihood — this is a big issue. Businesses may have economic concerns in the opposite direction as well. Violence prevention might bode well for businesses in areas that people are hesitant to frequent because of the threat of violence, and it might also reduce the risk of losses and physical harm to the business owners themselves. Thus their positive interest in an effective violence prevention project.
* **Organisations, agencies, and institutions may have a financial stake in a project because of funding concerns**. Their ability to be funded for conducting activities related to the project may mean the difference between laying off and keeping staff members, or even between survival and closing the doors.
* **Efforts that concern issues that are controversial for cultural reasons, such as abortion and gay marriage, may be enthusiastically supported by some segments of the community and fiercely opposed by others**. While such hot-button issues may not be resolvable, it is important to understand the positions of stakeholders on both sides.
* **Ideological as well as cultural differences may also drive stakeholder interests**. Those who believe that government should not be seen as the source of anything but the most basic services that people obviously cannot provide for themselves — the military, roads, police, public education — might oppose government-funded programmes to help the poor, maintain public health, or provide other services that others deem necessary for the well-being of the community.
* **Legislators and policy makers may be concerned with public perceptions that they are wasting public money by funding a particular project**. (On the other hand, they can be convinced to spend the money by the perception that a project is one the public is greatly in favour of, or one that will return more than is being spent.)
* **The jobs of organisation staff members engaged in carrying out a project can be drastically changed by the necessity to learn new methods, increases in paperwork, or any number of other requirements**. Depending on the situation, they may be more than willing to take on these responsibili- ties, may have ideas about how they can be made less burdensome, or may resent and dislike them.
* **Family concerns may enter into stakeholder interests as well**. Parents in many places can now be reported for child abuse for applying punishments like spankings with a brush or belt that their own parents may have used as a matter of course. Without discussing the rights or wrongs of the issue, it is important to understand that some people will see this as protecting children and others as interfering with parental rights.

As project manager, you do not have to — and in fact should not — guess what stakeholder interests are. Ask them what is important to them. If there are stakeholders that are not willing to be involved, try to talk to them anyway. If that is not possible, try to find out their concerns from others who are likely to know. Most stakeholders will be more than willing to tell you how they feel about a potential or ongoing project, what their concerns are, and what needs to be done or to change to address those concerns.

### Analysis and Mapping of Project Stakeholders

* + - 1. **Analysis of Project Stakeholders**

Let us suppose that a project manager has identified all the project stakeholders, and that he/she under-

stands each of their concerns. Now what? The stakeholders all have to understand what the project manager wants to do, he/she has to respond to their concerns in some way — at least by acknowledging them, whether he/she can satisfy them or not — and he/she has to find a way to move forward with as much support from stakeholders as he/she can muster.

This is where project stakeholder analysis comes in. By definition, ***Project stakeholder analysis is a process of systematically gathering and analysing quantitative and qualitative information about stakeholders to determine whose interests should be taken into account throughout the project***. It identifies the interests, expectations, and influence of the stakeholders and relates them to the purpose of the project. It also helps identify stakeholder relationships that can be leveraged to build coalitions and potential partnerships to enhance the project’s chance of success.

Project stakeholder analysis is a way of determining who among project stakeholders can have the most positive or negative influence on a project decision or action, who is likely to be most affected, and how a company should work with stakeholders with different levels of interest and influence.

As projects will have a large number of stakeholders and as the project manager’s time is limited and must be used as efficiently as possible, these stakeholders should be classified according to their interests, influence, and involvement in the project. This enables the project manager to focus on the relationship necessary to ensure the success of the project.

In large stakeholder communities, it is important to prioritise the key stakeholders to ensure the efficient use of effort to communicate and manage their expectations. Project stakeholder analysis identifies the potential impact or support each stakeholder could generate.

Therefore, project stakeholder analysis is a way of determining who among stakeholders can have the most positive or negative influence on a project, who is likely to be most affected by the project, and how the project manager should work with stakeholders with different levels of interest and influence.

Project stakeholder analysis has the goal of developing cooperation between the stakeholders and the [project team](http://en.wikipedia.org/wiki/Project_team) and, ultimately, assuring successful outcomes for the project. It is performed when there is a need to clarify the consequences of envisaged changes or at the start of new projects and in connection with organisational changes generally. It is important to identify all stakeholders for the purpose of identi- fying their success criteria and turning these into quality goals.

### Mapping of Project Stakeholders

After project stakeholder analysis, project stakeholder mapping (or stakeholder classification) follows. By definition, ***Project stakeholder mapping is a technique for identifying and prioritising project stake- holders***. It is a powerful diagnostic tool. It helps the project manager to identify his/her current position in relation to the various interest groups, community organisations, economic and financial interests, government agencies, and others who take an interest in or can affect his/her project.

Project stakeholder mapping classifies/maps the stakeholders so as to define an appropriate strategy. Most methods of stakeholder mapping divide stakeholders into one of four groups, each occupying one space in a four-space grid.

There are multiple stakeholder mapping/classification techniques/models available including, but not limited to:

* **Mendelow's Power-Interest grid** (by Aubrey L. Mendelow, Kent State University, Ohio 1991) — This technique groups stakeholders based on their level of authority (power) and their level of concern (interest) regarding the project outcome. (just like the contract value contract risk matrix)
* **Power-Influence grid** — This technique groups stakeholders based on their level of authority (power) and their active involvement (influence) in the project.
* **Influence-Impact grid** (by Office of Government Commerce, UK 2003) — This technique groups stakeholders based on their active involvement (influence) in the project and their ability to effect changes (impact) to the project’s planning or execution.
* **Salience model** — This technique describes classes of stakeholders based on their power (ability to impose their will), urgency (need for immediate attention), and legitimacy (their involvement is appropriate). It concerns the degree to which managers give priority to the competing stakeholder claims.
* **Three-dimensional grouping of power, interest and attitude** (by Murray-Webster and Simon 2005).
* **Influence-Interest grid** (by Imperial College London).

In this topic, the mapping technique used is the Mendelow's Power-Interest grid. This grid arrays stake- holders on a two-by-two matrix where the dimensions/parameters are the stakeholder’s interest in the project or issue at hand and the stakeholder’s power to affect the project’s or issue’s future. Two measures

— low and high — are used for each dimension/parameter.

The stakeholders are mapped on the Mendelow's Power-Interest grid as shown in Figure 5).

POWER

High

|  |  |
| --- | --- |
| **Latents**(Keep Satisfied) | **Promoters** (Manage Closely and Influence Activity) |
| **Apathetics** (Monitor with Minimum Effort) | **Defenders**(Keep Informed) |

Low

Low High INTEREST

Figure 5: Mendelow’s Power-Interest Grid for Stakeholder Analysis

According to the Power-Interest Grid given in Figure 5, four categories of stakeholders result:

* **Apathetics** — These are stakeholders with low interest and low power, and may not even know the project exists. They should be monitored with minimum effort.(lower level workers eg cleaners)
* **Latents** — These are stakeholders with low interest (i.e. no particular interest or involvement) in the project and high power (i.e. have the power) to influence it greatly if they become interested. They should be kept satisfied.(lower level managers)
* **Promoters** — These are stakeholders with high interest in the project and high power to help make it successful (or to derail it). They should be managed closely and the project should be influenced.eg **shareholders)**
* **Defenders** — These are stakeholders with high interest (i.e. a vested interest) and can voice their support in the community, and low power (i.e. little actual power) to influence the project in any way. They should be kept informed. Eg people in the community

As one can see, low to high power/influence over the project runs along a line from the bottom to the top of the grid, and low to high interest in the project runs along a line from left to right. Both power and interest can be either positive or negative, depending on the perspectives of the stakeholders in question. The lines describing them are continuous, meaning that people can have any degree of interest from none to as high as possible, including any of the points in between.

The people we have described as ***key stakeholders*** would generally appear in the upper right quadrant of the grid.

The purpose of this kind of diagram is to help the project manager understand what kind of power each stakeholder has on his/her organisation and/or the process and potential success of the project. That knowledge in turn can help him/her decide how to manage stakeholders — how to marshal the help of

those that support him/her, how to involve those who could be helpful, and how to convert — or at least neutralise — those who may start out feeling negative.

An assumption that most proponents of this analysis technique seem to make is that the stakeholders most important to the success of one’s project are in the upper right section of the grid, and those least important are in the lower left.

### Management of Project Stakeholder Expectations

Project stakeholder expectations management allows using the analysis to gain stakeholders support for implementing a project strategy, action etc. By definition, ***Project stakeholder expectations management is the process of communicating and working with stakeholders to meet their needs and addressing issues as they occur***. Managing stakeholder expectations involves communication activities directed toward project stakeholders to influence their expectations, address concerns, and resolve issues, such as:

* Actively managing the expectations of stakeholders to increase the likelihood of project acceptance by negotiating and influencing their desires to achieve and maintain project goals.
* Addressing concerns that have not become issues yet, usually related to the anticipation of future problems. These concerns need to be uncovered and discussed, and the risks need to be assessed.
* Clarifying and resolving issues that have been identified. The resolution may result in a change request or may be addressed outside of the project, for example, postponed for another project or phase or deferred to another organisational entity.

Managing expectations helps to increase the probability of project success by ensuring that the stakeholders understand the project benefits and risks. This enables them to be active supporters of the project and to help with risk assessment for procurement choices. By anticipating people’s reaction to the project, preventive actions can be taken to win their support or minimise potential negative impacts.

The project manager is responsible for managing stakeholder expectations. Actively managing stake- holder expectations decreases the risk that the project will fail to meet its goals and objectives due to unresolved stakeholder issues, and limits disruptions during the project.

The steps used in project stakeholder expectations management are as follows:

**Step 1: Understand clearly where each stakeholder lies in the grid**. Someone that has both a major interest in, and considerable power over, the project — for example a funder or a leader of a population of concern — would go in the upper right hand corner of the upper right quadrant. Stakeholders with neither power nor interest would go in the lower left-hand corner of the lower left quadrant. Those with a reason- able amount of power and interest would go in the middle of the upper-right quadrant, etc. Eventually, the grid will be filled in with the names of stakeholders occupying various places in each of the quadrants, corresponding to their levels of power and interest.

**Step 2: Deciding who needs the most attention**. In general, the business people who use this model would say that you should expend most of your energy on the people who can be most helpful, i.e., those with the most power. Powerful people with the highest interest are most important, followed by those with power and less interest. Those in the lower right quadrant — high interest, less power — come next, with those with low interest and low power coming last.

Another way to look at project stakeholder expectations management is that the most important stake- holders are those most dramatically affected. Some of those, at least before the project begins, may be in the lower left quadrant of the grid. They may be too involved in trying to survive — financially or physically — from day to day to think about an effort to change their situation.

Therefore, each type of stakeholders, represented in a different quadrant, needs a certain **approach**, as follows:

* **Promoters** — These are the high influence and high interest folks and they are the most important here. They are the ones who can really make the project go, and they care about, and are invested in, the project. If they are positive, they need to be cultivated and involved. The company has to find jobs for them (not

just tasks) that they will enjoy, and that contribute substantively to the project, so they can feel responsible for part of what’s going on. It is also very important to pay attention to their opinions, and consent to them where it is appropriate. If their ideas are not acted on, as project man-ager, make sure they know why, and why an alternative seems like the better course. As much as possible, it is recommended to make them integral parts of the team. When people who could be promoters are negative, the major task is to convert them. If it is not possible, they become the most powerful opponents of the project, and could make it impossible to succeed. Thus, they need to be treated as potential allies, and their concerns should be addressed to the extent possible without compromising the effort.

* **Latents** — These are the high influence and low interest folks. These are people and organisations largely unaffected by the effort that could potentially be extremely helpful, if they could be convinced that the project is important either to their own self-interest or to the greater good. The project manager has to approach and inform them, and to keep contact with them over time, to offer them opportunities to weigh in on issues relating to the project, and demonstrate to them how the project will have a positive effect on issues and populations they are concerned with. If the project manager succeeds to shift them over to the promoter category, they become valuable allies. If they have a negative and oppositional attitude and if they are not particularly affected by or concerned about the project, even if they disapprove of it, the chances are that they will not interfere. If they begin to voice opposition, the project manager should try to convert or neutralise them rather than starting to battle.
* **Defenders** — These are the low influence and high interest folks. Taking into account that these people and organisations have a low influence and a high interest, the project manager should keep them informed and not worry too much about involving them further.
* **Apathetics** — These are the low interest and low influence folks. These people and organisations do not care about project one way or the other. They may be stakeholders only through their membership in a group or their position in the community; the project may in fact have little or no impact on them. As a result, they need little or no management, they have to be sporadically informed by news-letter or some similar device, and as project manager do not offend them.

### Evaluation of the Project Stakeholder Management Process

As with anything else one does, it is important to monitor and evaluate how well stakeholders have been identified, understood, and involved in the course of the project. It is obviously best to involve stake- holders from the very beginning, but it is never too late to learn from what one has done so that one can improve his/her work. Evaluation of the project stakeholder management process should be an integral part of the overall project management evaluation, and stakeholders themselves should be involved in developing that evaluation. They can best tell the project manager what did and did not work to pull them in and keep them engaged. A company has to assess if it succeeded to harmonise the interest of the stake- holders, to convince and to involve them in project decision-making process and in its implementation.

Here are some evaluation questions you, as project manager, might consider:

* What could you have done to better identify stakeholders?
* Which strategies worked best to involve different populations and groups?
* How successful were you in keeping people involved?
* Did you provide any training or other support? Was it helpful? How could it have been improved?
* Did your stakeholder analysis and management efforts have the desired effect? Were they helpful?
* Did stakeholder involvement improve the work, effectiveness, and/or political and community support of the effort?

The answers to these and similar questions could both help you improve the current effort and make a big difference the next time — and there will be a next time — you involve stakeholders.