

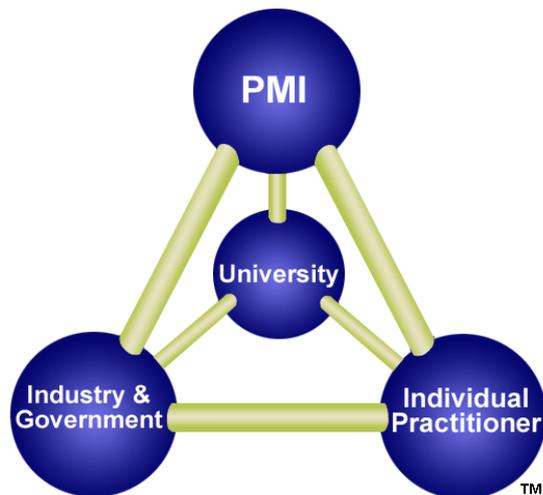


Stakeholder Circle™

PROJECT RELATIONSHIPS AND THE *STAKEHOLDER CIRCLE™*

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Introduction

Projects have always required planning, management and control to deliver the desired outcome; from the building of the Pyramids in ancient Egypt to the implementation of new information and communication technology (ICT) systems in the modern world, satisfying key stakeholder requirements has been central to achieving a successful outcome. Today, many different types of organisations have embraced the concept of projects as a mechanism for delivering change. But, no matter what the industry or size, all types of projects experience unacceptably high rates of failure, which wastes scarce monetary and human resources and mars the reputation of the project management profession.

In the literature, (Jiang & Klein, 1999; Lemon, Bowitz, Burn & Hackney, 2002; Meredith & Mantel, 2000; Sauer, 1993) failure is strongly related to a stakeholder's perceptions of project value and their relationship with the project team. The key to forming successful project relationships is understanding that different stakeholders have different expectations of the project and different definitions of project success. Thus, a project's success or failure is strongly influenced by how well it meets its stakeholder's expectations and their perceptions of its value. Stakeholder expectations and perceptions can be influenced by the capability and willingness of the project manager to engage effectively with the project's stakeholders and manage organisational politics. One methodology and visualisation tool that can help manage these relationships is the *Stakeholder Circle*™.

The *Stakeholder Circle*™ offers a mechanism for assessing each key stakeholder's relative influence and for understanding their expectations. It also helps project managers define appropriate procedures for engaging stakeholders. The focus of my research was to test and refine the *Stakeholder Circle*™ and evaluate its effectiveness in providing support for building and maintaining relationships with key stakeholders.

My research was exploratory and descriptive; it was based on a small scale, cross-sectional study of six projects within five medium-sized organisations operating in Australia. From this research I developed a more robust methodology and refined the *Stakeholder Circle*™. The research also provided unexpected insights about the participant organisations' structural and cultural frameworks. This paper reports on my findings from four of the six projects.

My paper is organised into five sections: a discussion of project relationships; a description of the research design; an overview of the *Stakeholder Circle*™ methodology and visualisation tool; a description of the four projects and the participating organisations; and a discussion of my research findings.



Stakeholder Circle™

To see more on the *Stakeholder Circle* and download a free set of the software, visit www.stakeholder-management.com

Managing Project Relationships

Project relationships are those relationships that occur between the project manager and the project's stakeholders as well as those that occur among the project stakeholders themselves. This network, comprising all the relationships both within and around the project (Bourne & Walker, 2003; Briner, Hastings & Geddes, 1996; Frooman, 1999), forms the *project environment*, or sphere of influence and support, on which a project depends for its very existence and has to be managed.

One important aspect of managing the project environment is understanding the *directions of influence* in which the project manager and team must operate to successfully realise the project. These directions of influence—*forwards, backwards, upwards, downwards, inwards, outwards, and sideways*—are incorporated into the *Stakeholder Circle*™ methodology to support the process of identifying project stakeholders.

Managing the *forwards* component involves anticipating and planning while the *backwards* component involves developing and maintaining appropriate control systems, historical records and the explicit and implicit knowledge of others. Managing *upwards* involves developing and maintaining robust relationships with those senior managers whose support is vital to maintain organisational commitment to the project; not all senior managers are important to project success. Managing *downwards* involves managing the team; managing *inwards* involves seeking feedback from stakeholders about project and project management matters (Briner et al., 1996) as well as practitioner reflection and learning. Managing *sideways* involves managing the project manager's peers to ensure collaboration, rather than competition.

Managing *outwards* involves addressing the needs and impacts of a large group of stakeholders external to the project, and often external to the performing organisation. This group can include clients or customers of the performing organisation, users of the solution and their managers, the public, taxpayers, voters, lobby or action groups, government or regulatory bodies, shareholders, and suppliers as well as less obvious groups such as the families of team members. Each of these *outwards* stakeholder groups will have different requirements of the project. They are grouped in one 'direction of influence', but it is important to clarify their requirements of the project and their impacts on the project as separate groups.

Projects as temporary organisations (Packendorff, 1995; Turner & Muller, 2003) are organisations in microcosm, on a human scale. As a result, the structures used to organise both projects and their organisations are similar. Projects, like organisations, have purpose, structure, groups and teams, authority networks, and culture. The major difference between the two, however, is that projects are *temporary* organisations whose structures may or may not reflect the structure used by its sponsoring organisation. The project structure may reflect the combined efforts of multiple groups from different cultures using different organisational structures. The maturity of the organisation—in regards to its project management systems, culture, style, organisational structure, and project management office (PMO)—will also influence the project's structure and culture (Project Management Institute, 2004).

Project managers must understand the culture of the organisation sponsoring their project—the performing organisation; and they must nurture an appropriate culture within the project. The culture of the project and the culture of the organisation can differ (Andersen, 2003; Bourne, 2004); an organisation's culture is unique to that organisation, and will be formed by many factors including the size and industry of the company, its leadership and its staff. The project's culture will reflect the leadership style of the project manager, the structure of the project and the organisational culture of the performing organisation

Project managers usually have very little formal power over stakeholders outside the project organisation. To be effective, they must develop ongoing relationships with project stakeholders, and in some cases, with potential project stakeholders. They must focus on using appropriate aspects of personal power to influence others (Gadekan, 2002; Pinto, 1998).

Effective communication is a vital component in the process of building and maintaining relationships, and is essential for maintaining the support and commitment of all stakeholders. Project success is linked to the strength of the relationships created by effective, regular, planned and adhoc communication with all members of the project's stakeholder community (Bourne & Walker, 2005; Briner et al., 1996; Cleland, 1994). Appropriate vehicles of communication include project meetings, project plans and reports, informal discussions, and formal presentations. Maintaining ongoing relationships in the form of active communication systems will also provide project managers with the necessary early warning systems they need to recognise the danger signals indicating that trouble possibly exists among senior stakeholders. These danger signals can take many forms, such as interfering in the business of the project without consultation, not providing support when needed, poor

communication links caused by too many reporting levels between the project manager and the senior stakeholder, and unfounded promises or commitments (Boddy & Buchanan, 1999). These potentially risky situations need to be closely managed through targeted communication strategies, as defined in the project Stakeholder Management Plan.

The Research

My main research proposition was that:

Project management practice will be advanced by the Stakeholder Circle™, a methodology and visualisation tool, which supports the work of the project manager and project team members in building and maintaining relationships with key project stakeholders. Project managers and their project teams can enhance stakeholder's perceptions of project success (or reduce their perception of failure), by identifying and prioritising key stakeholders, and by developing and implementing strategies for engaging and communicating with them.

To test my proposition, I developed four research questions:

1. Does stakeholder management influence project success?
2. What are the essential features of stakeholder management?
3. Does the use of a methodology supported by a tool such as the *Stakeholder Circle*™ increase the effectiveness of stakeholder management?
4. How willing and capable are the project manager and project team to use the *Stakeholder Circle*™ methodology and visualisation tool to engage with their key stakeholders?

To guide my research, I defined six research objectives:

Objectives 1 and 2 relate to question 1:

1. To define project success (and failure)
2. To describe the relationship between project success and stakeholder management

Objective 3 relates to question 2:

3. To identify and analyse current stakeholder management practices

Objectives 4 and 5 relate to question 3:

4. To test and refine the *Stakeholder Circle*™ methodology and tool
5. To measure the tool's effectiveness

Objective 6 relates to question 4:

6. To examine the willingness and capability of the project team to use the methodology

Research Themes

This design outline enabled me to address four research themes. The first involved identifying the reasons for project success and project failure and the essential factors either preventing project failure or enhancing project success.

I designed the first question to identify the reasons revealed in the literature as causing project failure: *Does stakeholder management influence project success?* In doing so, I examined the causes of project failure and the connection of these causes to stakeholder management. My literature review showed that it was the perception of a lack of project success—or a lack of project importance—that most often caused key stakeholders to either discontinue support of the project's objectives or actively work against successful project delivery (Jiang & Klein, 1999; Lemon, et al., 2002; Meredith & Mantel, 2000; Sauer, 1993). I found that a key element of project success involve the project manager's proactive management of stakeholder expectations (Pinto & Prescott, 1990; Thomas, Delisle & Jugdev, 2002).

My second research question: *What are the essential features of effective stakeholder management?*, was addressed by an examination of existing stakeholder management practices and theories during the literature review. The findings included: methods of categorising stakeholders to develop appropriate management strategies (Savage, Nix et al. 1991; Mitchell, Agle et al. 1997) and the concept of social network theory (Rowley 1997) which provided a means to develop planned and targeted communication within the network of project relationships (Briner et al., 1996; Cleland, 1999; Project Management Institute, 2004). These concepts were incorporated into the prototype methodology.

Project Relationships and the *Stakeholder Circle*™

From my examination of stakeholder theory, I concluded that the support of key stakeholders was essential for project success (Frooman, 1999; Pinto, 2000; Pinto, Thoms, Trailer, Palmer & Govekar, 1998; Post, Preston & Sachs, 2002; Project Management Institute, 2004). However, I also learned that there was no clear means of identifying the *right* stakeholders for the *right* time at each phase of the project lifecycle. From my own experience of managing projects I understood that the process of identifying and prioritising key stakeholders should occur at least once during each project phase, and that project managers should adjust their engagement and communication strategies to ensure that they understand, manage, and meet the needs and expectations of current key stakeholders.

In addressing the second research theme, I examined a prototype stakeholder management methodology and visualisation tool, the *Stakeholder Circle*™; and investigated its potential to decrease the risk of project failure through support for the strategies of stakeholder prioritisation and engagement help develop successful project relationships.

I addressed research question 3: *does the use of the Stakeholder Circle*™, a methodology supported by a visualisation tool increase the effectiveness of stakeholder management?, and objective 4: to test and refine the *Stakeholder Circle*™ by an iterative series of workshops using structured evaluation forms and feedback from the participants. I used this feedback to further refine the methodology between each set of workshops. There were three iterations: the third iteration resulted in no further suggestions for improvement from the research participants and therefore there was no need to conduct a fourth iteration.

My third research theme addressed the effectiveness of the *Stakeholder Circle*™ and objective 5 measured *the effectiveness of the methodology and tool*. On their evaluation forms, most of the workshop participants indicated that they judged the methodology to be useful in relation to its capacity to identify, prioritise, and engage stakeholders; most said they would use it again.

My fourth research theme involved the qualities of the people who would most benefit from using the *Stakeholder Circle*™, individuals such as the project manager and project team members. From the literature, I identified the personal qualities that are necessary to manage and engage project stakeholders (Pinto et al., 1998; Project Management Institute, 2004; Sweetman, 2001; Turner, 1999). These qualities include effectively navigating the performing organisation's power structure (Crawford & Da Ros, 2002; Pinto, 2000), developing trusting relationships; (Schnebel & Bienert, 2004), acting ethically (French & Granrose, 1995), and managing risk proactively (DeMarco & Lister, 2003). The literature lacked a coherent view of the skills, knowledge, and experience that project managers need to achieve success project outcomes. I addressed this research gap by the developing a three-dimensional concept of project management:

1. The *craft*—or technique—of managing projects
2. The *art* of managing and leading project teams
3. The *wisdom*—an individual's willingness and ability—to operate in the performing organisation's power and political structure (Bourne & Walker, 2003).

In my research, I found that when project managers possessed the experience and the willingness to manage the environment mapped by the *Stakeholder Circle*™, there was a higher probability that the sponsor would show an enhanced level of interest and support in the success of the project.

Research Design

I conducted my research in three phases: Phase 1 involved the literature review on project success and stakeholder management; phase 2, an iterative process to refine the methodology; and phase 3, a descriptive case study. During phase 1, I performed a literature search to understand the reasons causing project success or failure and the relationship between project success and stakeholder management. In phase 2, I used an iterative process to refine the prototype methodology and the toolset for the *Stakeholder Circle*™; these iterations involved facilitating workshops within participant organisations, continuing until I could not identify any further opportunity to refine the methodology. During these iterations; I collected data that proved essential for refining the methodology and organising separately as data case study descriptions. I used the process of *plan, implement, monitor, and reflect*—used in incremental process improvement (Carroll & Swatman, 2000)—as the foundation for examining this phase and accomplishing my fourth research objective.

The *Stakeholder Circle*™

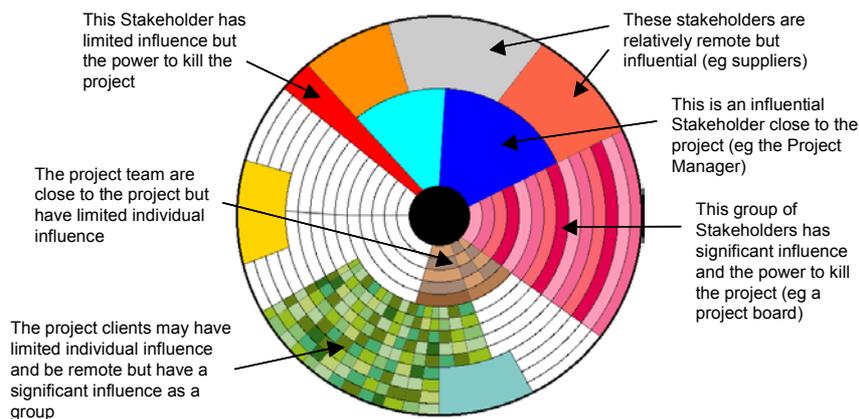
Researchers have discussed the important role stakeholders play in enhancing organisational wealth and economic benefits. Researchers have also searched for a process to gauge stakeholders' requirements. One research team (Fletcher, Guthrie, Steane, Roos, & Pike, 2003) defined a process for mapping stakeholder expectations, one that uses value hierarchies and Key Performance Areas (KPA). In this process, stakeholders are classified according to their potential for threat and their potential for cooperation (Savage et al., 1991) or by their power to influence, based on the legitimacy of each stakeholder's relationship with the firm as well as the urgency of the stakeholder's claim on the firm (Mitchell et al., 1997).

Other methodologies provide a useful tool for visualising power and influence patterns in social network mapping (Rowley, 1997). A more holistic process for managing stakeholders consists of identifying stakeholders and assessing their awareness, their support, and their influence. This assessment leads to strategies for communication and strategies for assessing stakeholder satisfaction; it culminates in the development of a stakeholder knowledgebase that provides knowledge of who is aware or ignorant and whether their attitude is supportive or opposing (Turner, 2002). Another comprehensive approach describes processes for identifying, assessing, and engaging stakeholders (Briner et al., 1996). These researchers have influenced the *Stakeholder Circle*™ methodology.

I found that the concepts of *power, legitimacy and urgency* (Mitchell et al., 1997) are valuable for identifying important stakeholders, as is the idea of centrality and density (Rowley, 1997) in attempting to recognise and show the power and communication ties within the stakeholder community. The process of developing an appropriate engagement strategy builds on the work of Briner et al. (1996), Turner (2002) and Fletcher et al. (2003). Figure 1 illustrates the prototype *Stakeholder Circle*™, developed to assist project managers and their teams in identifying the project's key stakeholders in relation to any specific time within a project's lifecycle. I modified this theoretical construct significantly in response to suggestions I received from the workshop participants. Later in this paper I discuss my refined *Stakeholder Circles*™ in relation to four projects.

The prototype *Stakeholder Circle*™ comprises two key elements: concentric circles that indicate distance of stakeholders from the project manager. The patterns used for each stakeholder indicate their homogeneity. For example, a solid shade indicates an individual stakeholder, while shading or colour-fading can indicate a group. The size of the wedge and its relative area indicate the stakeholder's scale and scope of influence; the radial depth can indicate the degree of the stakeholder's impact or power to kill the project.

Figure 1. The prototype *Stakeholder Circle*™



The *Stakeholder Circle*™ is based on the premise that a project can only exist with the informed consent of its stakeholder community (Weaver & Bourne, 2002), and that managing the relationships between the community and the project will increase a project team's chances for achieving a successful outcome. The stakeholder community consists of individuals and groups, each with a different potential to influence the project's outcome positively or negatively. The visualisation tool highlights the project's key stakeholders so as to understand which stakeholders the project team has determined are essential for project success.

Identification of Stakeholders

The process of identifying project stakeholders begins by using the categories *upwards, downwards, inwards, outwards, and sideways*. This is followed by identifying *mutuality* (French & Granrose, 1995), as defined in terms of understanding what each stakeholder requires from the project as well as the significance of the stakeholder to the project. Asking these questions establishes the nature of the relationship between the project and the stakeholders and ensures that project managers understand both groups' needs. This exercise is conducted through a workshop with project team members and individuals from the organisation who are familiar with the project's deliverables and constraints, and the organisation's structure and politics. This information is entered into the tool and validated. Once complete, the next step—prioritisation of the identified stakeholders—can commence.

Prioritisation of Stakeholders

The assessment of each stakeholder based on ratings from the project team members of the stakeholder's perceived *power, proximity and urgency*, produces an 'index' for each stakeholder within the tool. An inbuilt 'sort' function in the software produces the list of prioritised stakeholders as assessed by the project team. This list with its associated data on each stakeholder supports the development of an engagement strategy; one that enables the project team to ensure that the expectations of key stakeholders are understood, acknowledged, and managed.

Maintaining Engagement

Defining appropriate responses requires an understanding of numerous elements, such as understanding which stakeholders the project team needs to have involved in the project definition and planning processes, which stakeholders need more information about the project to mitigate their opposition, and which stakeholders play key and relevant roles. Project managers must convert the resulting strategy of *who, what, when and how*, of delivering the tailored messages defined for each stakeholder into action. This involves integrating the communication plan into the project schedule and reporting on it through team meetings and regular reports.

The benefit of using this methodology and tool is derived in part from the analysis process and assessment process, and in part from the ease with which project teams can assess a key stakeholder's influence on the project once the project's unique *Stakeholder Circle*™ is complete. Project teams should update this assessment regularly as the stakeholder community changes so as to reflect the dynamic nature of project relationships.

Project teams should regard stakeholder management as an important part of implementing a risk management plan. While stakeholder management—and communication management—is not part of risk management, it contributes to the integrated whole, to successful project management (Bourne, 2005). A thorough knowledge of each important stakeholder's risk tolerance, levels of support, and project expectations will drive appropriate communication strategies managed through the reporting and monitoring aspects of the Stakeholder Engagement Strategy, much in the same way that project managers must manage risk. Managing stakeholder expectations by developing targeted communication strategies is a key part of the *Stakeholder Circle*™ methodology.

Maintaining the Currency of the Stakeholder Community

The process of identifying, prioritising, and engaging project stakeholders is not a once-only event. The project's stakeholder community changes as stakeholders move within the organisation or leave it; or their relative importance to the project or their power and influence changes over the project's life cycle. As the project moves through its different phases, different stakeholders may have more or less of an impact on the project. To maintain currency, the stakeholder assessment process may have to be repeated in whole—or in part—many times. To be most effective, the project team should update their assessment regularly, particularly as the project progresses through the phases of its lifecycle or as the stakeholder community changes to reflect the dynamic nature of the project's many relationships.

Interpreting the *Stakeholder Circle*™ Visualisation Tool

The *Stakeholder Circle*™ shows stakeholder power and proximity along its radial axis and the team's assessment of its urgency/importance along its arc. The resulting diagram shows the relative influence of each stakeholder and offers a visual tool to facilitate decisions about the amount of effort the project team will allocate when managing the relationship with any given stakeholder. The overall size (or area) of a stakeholder's segment gives an indication of the overall influence of that person (or group of people) on the project. The outcome of the visualisation process is a diagram designed to facilitate decisions, one showing where the project team should focus its efforts when managing stakeholders.

Colour coding is essential to interpreting the nature and structure of the stakeholder community: senior managers (*upwards*) are coded orange; external stakeholders (*outwards*), blue; the project team (*downwards*), green; the project manager's peers, purple. The relationships are summarised by showing each stakeholder's priority number, direction of influence and the nature of their relationship with the project.

The Projects

In this paper, I examine four projects: two (one information technology (IT), one business change) involve a local Australian government organisation, Council 1; the other two (both IT) involve two departments within a regional Australian government.

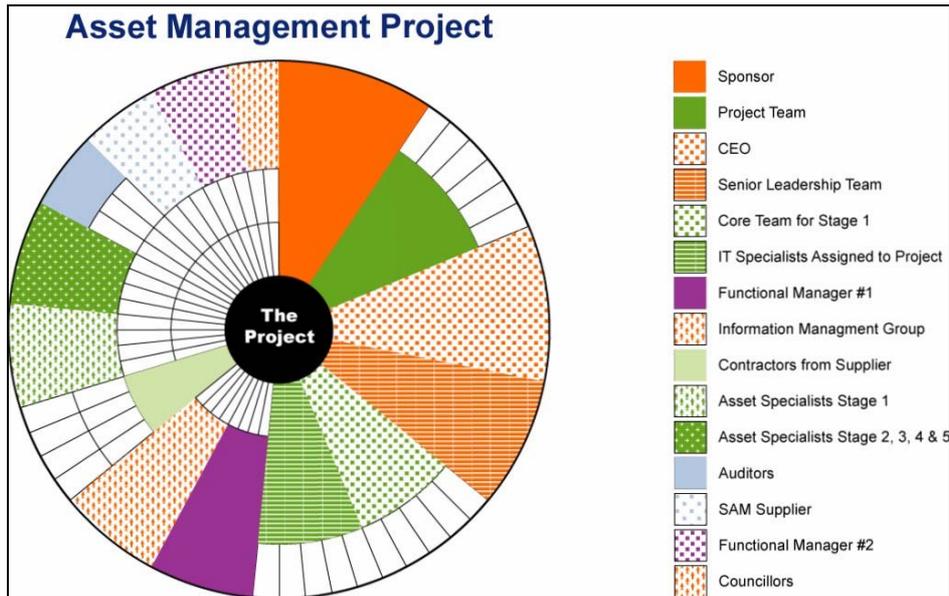
Council 1 - Asset Management System

Council 1 serves an inner city constituency, with a very diverse set of residents and taxpayers, from wealthy professionals to single parents to the unemployed, from long-term residents to transients. The organisation's formal structure is led by a chief executive officer (CEO) reporting directly to councillors, the elected representatives of Council 1's residents and taxpayers. The organisation's informal structure was defined by a *web culture*, the product of an ongoing change program begun two years before this research began. The change program focused on developing an organisation characterised by open communication, mutual trust, respect, and recognition. The *web culture* resulted from that change program; it is defined through a set of *web behaviours*: emphasising adaptability, flexibility, energy and passion, resilience, a high level of personal insight, and most of all a sense of humour.

The Asset Management System was designed to assist Council 1 in complying with Government requirements for greater efficiency in managing such city assets as parks and trees, buildings, drains, roads, public swimming pools, and other sporting venues. The project manager of the Asset Management System was an experienced line manager, responsible within Council 1 for managing these assets. Figure 2 shows the stakeholder community for the Asset Management System. Figure 3 describes the characteristics of the top five stakeholders selected through the *Stakeholder Circle*™ workshops. In my original research the top fifteen were selected, for the purposes of this discussion I limit my focus to the top five so as to show the significance of the research findings.

Project Relationships and the Stakeholder Circle™

Figure 2. Stakeholder Circle™ (SHC) for Asset Management System



Key to interpretation: **senior managers** (*upwards*) are coded orange; **external stakeholders** (*outwards*), blue; **project team** (*downwards*), green; **project manager’s peers**, purple.

Figure 3. Summary of key relationships for Asset Management System

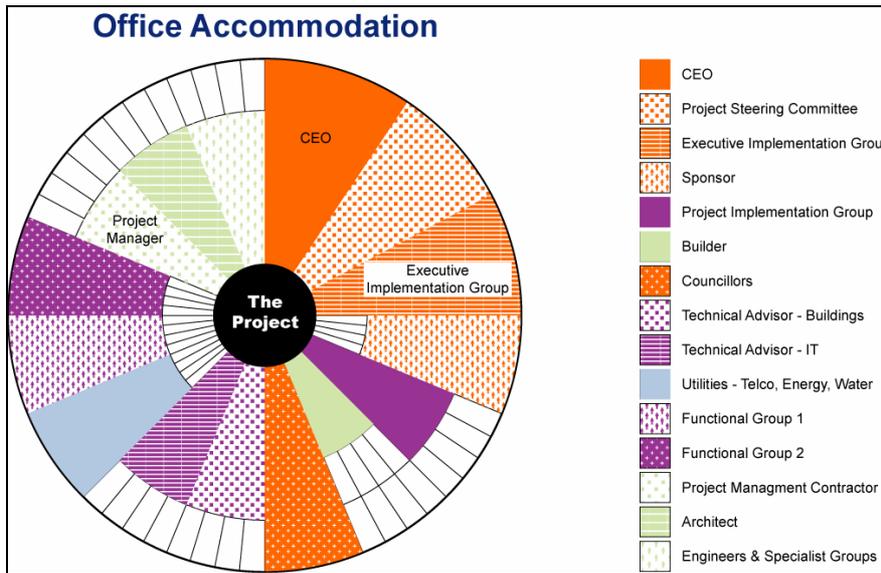
Priority	Key stakeholder	Direction of influence	Role in project organisation
1	Sponsor	<i>Upwards</i> —power to kill the project	Responsible for advocacy for the project and continued allocation of funding.
2	Project team members (staff)	<i>Downwards</i>	Responsible for work to deliver project success.
3	Chief executive officer (CEO)	<i>Upwards</i> —power to ‘kill’ the project	Manages Council 1 on behalf of Council.
4	Senior leadership team	<i>Upwards</i> —power to kill the project	Responsible to CEO and Councillors.
5	Core team for stage 1 (includes asset class managers and specialists)	<i>Downwards</i>	Lead implementation in stage 1.

Discussion

The **Asset Management System** shows an equal number of *upwards* stakeholders and *downwards* stakeholders. Given that Council 1 has a traditional hierarchical structure, the number of senior management stakeholders is not unusual. However, the dominance of stakeholders who are members of the project team is unusual and does not occur in any of the other projects that participated in this research. This data can be interpreted by understanding the organisation’s culture and the project manager’s management style. Council 1 had been implementing—for the two years prior to my research—a change program. This change program focused on developing trust and openness between all Council 1 staff. Council 1 managers considered the inclusion of groups that normally treated as user groups—external to the team—as members of the team, as an indication that the change program was working. One could also interpret this inclusive approach as a product of the project manager’s management style. During one interview, the project manager described this inclusive approach as having worked for her in the past, helping her ensure buy-in from those staff members who were reluctant to cooperate in an activity or change that she was responsible for.

Council 1 - Town Hall Accommodation Project

Figure 4. SHC for accommodation project



Key to interpretation: **senior managers** (*upwards*) are coded orange; **external stakeholders** (*outwards*), blue; **project team** (*downwards*), green; **project manager's peers**, purple.

Town Hall Accommodation Project was a part of a project to redevelop Council 1's Town Hall complex. The project brief included requirements to support maximisation of staff efficiency and to support Council 1's *web culture*. It called for an open-plan interior design; only the CEO and the Councillors would have offices. During renovation, staff would relocate into temporary accommodation and then move back into the Town Hall once the renovation was completed. Council required that these moves occur efficiently and with the least disruption possible, and that the project team's renovation design met the needs of management and staff. Figure 4 shows the stakeholder community for this project; Figure 5 describes the characteristics of the top 5.

Figure 5. Summary of key relationships for accommodation project

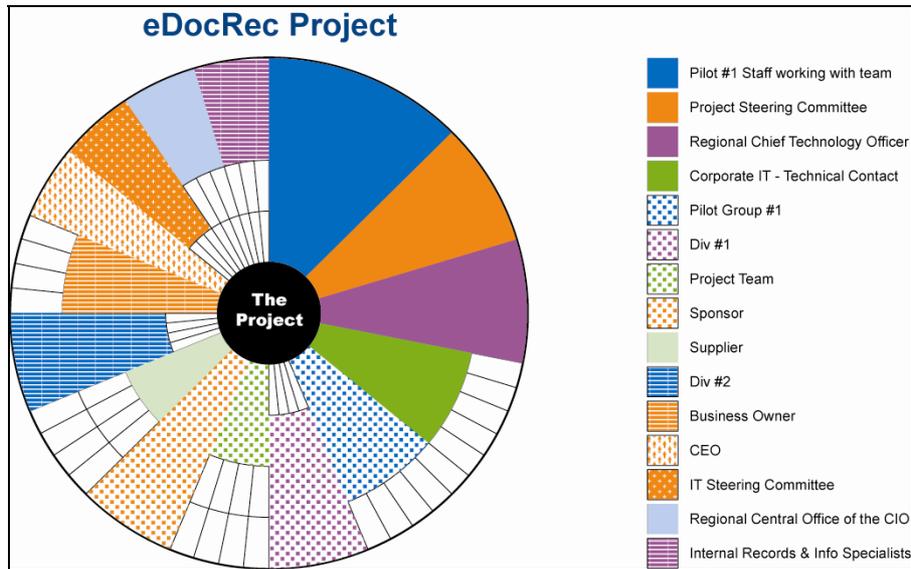
Priority	Key stakeholder	Direction of influence	Role in project organisation
1	Chief executive officer (CEO)	<i>Upwards</i> —power to kill the project	Sponsor of Town Hall project; manages Council 1 on behalf of Council.
2	Project steering committee	<i>Upwards</i> —power to kill the project	Executive decision-making body, representing the Councillors, and therefore also the residents and taxpayers of Council 1.
3	Executive implementation group	<i>Upwards</i> —power to kill the project	Executive decision-making body, constitutes the Senior Leadership Team of Council 1.
4	Builders	<i>Outwards</i>	Deliver good quality building.
5	Project sponsor	<i>Upwards</i>	Sponsor of the staff accommodation project; high-level advocacy.

Discussion

The **Town Hall staff accommodation** project had a predominance of *upwards* stakeholders; with most of the other stakeholders comprising either members of the project team or peers of the project manager. The architect and specialist groups were assessed as members of the team. The project team interpreted the predominance of the *downwards* and *sideways* stakeholders as an influence of the *web culture* affecting the views of the project team, particularly with regards to the roles of those working with them to deliver their project.

Department 1

Figure 6. SHC for eDocRec



Key to interpretation: **senior managers** (*upwards*) are coded orange; **external stakeholders** (*outwards*), blue; **project team** (*downwards*), green; **project manager's peers**, purple.

Department 1 represented a department in the Australian regional government. Department 1 was headed by the departmental secretary reporting directly to the responsible ministers—the elected representatives of the region. **eDocRec** was an IT project; its main objective was to create a single department-wide electronic document and records management solution, one that complied with standards defined (and being defined) by the regional Office of the Chief Information Officer (OCIO). The solution had been implemented in other parts of Department 1 as well as in other departments, so the project team was leveraging off this experience. Figure 6 shows the stakeholder community for this project and Figure 7 shows the characteristics of the top 5.

Figure 7. Top 5 stakeholders for eDocRec

Priority	Key stakeholder	Direction of influence	Role in project organisation
1	Staff from pilot site #1 working with the project team	<i>Outwards</i> —power to kill the project	Staff from a regulatory division in Department 1, with power to recommend discontinuance of the project.
2	Project steering committee /reference group	<i>Upwards</i> —power to kill the project	Executive decision-making body; high-level advocacy. Representing business issues to the project. Removal of roadblocks.
3	Regional chief technology officer	<i>Outwards</i> —power to kill the project	Recognition that project complies with emerging software standards. Provision of advise and consultancy.
4	Corporate IT – Technical consultant	<i>Downwards</i>	Technical knowledge and assistance with coordinated implementation.
5	Pilot Group #1	<i>Outwards</i>	Support from this powerful division in its official capacity is essential for project success.

Discussion

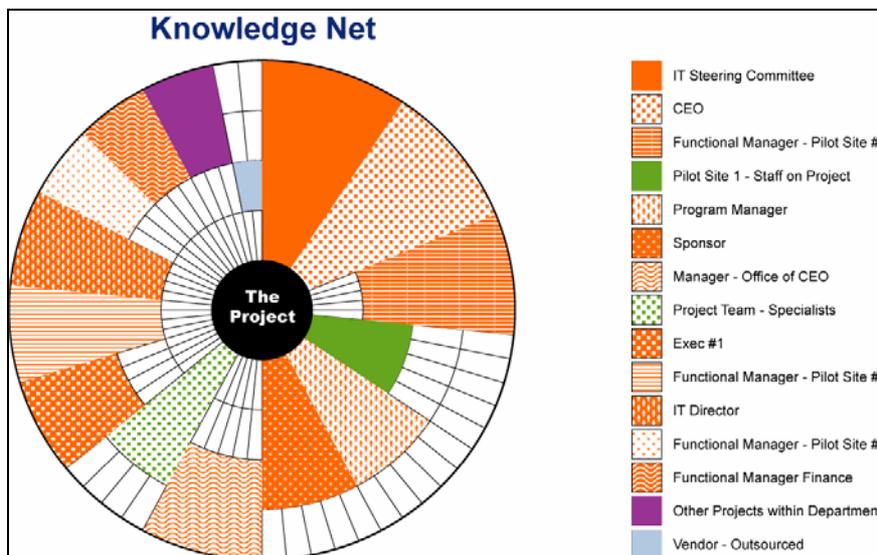
Staff from the group that was described as Pilot Site #1 were not only the most important stakeholder group but also had power to kill the project. This is the only instance in all four projects where a stakeholder with *outwards* direction of influence had more power and influence than even the CEO, the sponsor, or a governance group. When questioned about this evaluation, the business owner replied that Pilot Site #1 had become un-cooperative: they were not acting in a way to support successful realisation of this project; they were motivated by some other political agenda. I was informed by another member of the team at an informal meeting that there was conflict between the business owner and the manager of the pilot group. When I reviewed the findings of my research with the Department 1 group, which included members of the project steering committee who had accepted the business owner's invitation to attend, the situation was unchanged: all present were aware of the situation and endorsed the business owner's assessment of both the importance and influence of this group and its categorisation as *outwards*.

The regional chief technology officer (CTO) was third on the list of key stakeholders. Generally in organisations such as Department 1, policy makers and standards enforcers such as the CTO play roles peripheral to project success. However, the situation in Department 1, as well as all the other departments in this region, involved a concerted move towards developing standards across all departments for IT infrastructure, training and accreditation, and software. At the time of the workshops the CTO was developing the strategies that, once completed, would require compliance. eDocRec was being implemented in advance of the strategy's approval and implementation. The business owner considered the CTO's awareness and understanding of the work of eDocRec essential for two reasons: it complied with a high-level strategic thrust; and it guided them in developing and implementing appropriate strategies.

Department 2

Department 2 was also part of the regional government. The **Knowledge Net** program was intended to support the Department 2's knowledge strategy by providing an online information exchange platform allowing the entire department's business units to access information resources through a browser interface. They also proposed later stages which would enable Department 2 to access others outside the department. Stage 1 involved developing the knowledge portal infrastructure and integrating the platforms into a single access point; it also included systems development and integration and business unit content delivery.

Figure 8. SHC for Knowledge Net



Key to interpretation: **senior managers** (*upwards*) are coded orange; **external stakeholders** (*outwards*), blue; **project team** (*downwards*), green; **project manager's peers**, purple.

Figure 8 shows the stakeholder community for the Knowledge Net; Figure 9 describes the characteristics of the top 5 stakeholders selected through the Stakeholder Circle™ workshops.

Figure 9. Summary of key relationships for Knowledge Net

Priority	Key stakeholder	Direction of influence	Role in project organisation
1	Knowledge management committee (KMC)	Upwards—power to kill the project	Directing body for knowledge initiative and its project implementation.
2	Departmental secretary (Chief executive officer)	<i>Upwards</i> —power to kill the project	Ultimate authority in Department 2: member of KMC.
3	Functional manager pilot site #1	<i>Upwards</i>	Essential for stage 1; provision of resources.
4	Pilot site #1 – staff on project	<i>Downwards</i>	Subject matter expert (SME) on aspects of project: sole practitioner of processes and procedures for this business content.
5	Program manager	<i>Upwards</i>	Responsible and accountable for delivery of the project.

Discussion

The Knowledge Net project had a stakeholder community that was almost exclusively *upwards*. This stakeholder community was significantly different from any of the other projects. This overwhelmingly management-heavy stakeholder community was acknowledged by the project team. It was also interpreted as reflecting the traditional structure and conservative culture of Department 2, where every layer of management above the project team required different reporting and where communication upwards could only happen one layer at a time. Using data displayed in the *Stakeholder Circle*™, the program manager showed that the project team was overwhelmed by the need to report to all the levels above them; this activity detrimentally affected their project performance. As a result, the reporting procedures were reviewed: the program manager was given the role of managing project reporting, both out of and into the project.

Analysis

Interpreting the Stakeholder Communities

The top five stakeholders or stakeholder groups in the communities mapped by the *Stakeholder Circle*™—for each project—are predominantly orange/managing *upwards* (for senior management) and involve a high proportion of CEOs, sponsors, and project steering groups. The sponsor is usually a member of the project steering group. This agrees with my analysis of the literature involving stakeholders and accounts of project management professional practice. Most of those judged to be in this top priority group of key stakeholders also have power to kill the project through withdrawal of essential resources or withdrawal of advocacy for the project. The exceptions involved the eDocRec project, where staff from the first pilot site were considered to have highest priority, as well as the inclusion of the CTO as a team member. These exceptions and the predominance of those stakeholders assessed as part of the team in the Asset Management System, as peers in the Office Accommodation project, and as management in Knowledge Net provided some interesting insights into the relationships within the project and the performing organisation.

The structure of the performing organisation will define the power relationships within the management framework of the organisation. The management framework coupled with the effects of the organisation's culture is responsible for setting the expectations of the management team and other stakeholders. In the same way, the influence of external organisations will affect the project and its ability to deliver its objectives.

Data from the analysis of the four stakeholder communities support the conclusions that the most important stakeholders may not be the governance groups or senior managers of the organisation; and that perceptions of stakeholders' power and influence will change throughout the project, so it is important to reassess the stakeholder community at milestones in the project.

Selecting stakeholders and assessing their priority, power, and influence is dependent on the views of the team involved in the selection and prioritisation process. These views can be affected by the team's perception of the

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intentions and actual power of these stakeholders; these views may differ from one week to the next. The lessons from this interpretation are twofold; to reduce the bias in selection and assessment, it is important to have a diverse group of people to identify and prioritise the project's stakeholders; and it is important to have a facilitator.

I have also found that the *Stakeholder Circle* can provide important information about the project organisation and the culture of the organisation that one may not otherwise obtain. Analysis of the patterns of stakeholders emerging from stakeholder communities shown by the *Stakeholder Circle*™ suggests that the tool can provide more information about the culture of the organisation than the traditional structure charts that simply depict the project organisation.

Value delivered by the *Stakeholder Circle*™

Testing and refining the *Stakeholder Circle*™ methodology and visualisation tool was my main research focus. The *Stakeholder Circle*™ highlights the project's key stakeholders, providing the project team, the stakeholders, and others the opportunity to understand who the project team jointly considers essential to project success. The value of the methodology and tool is derived from the analysis process itself and from the ease with which key stakeholder's influence on the project can be evaluated once the project's unique *Stakeholder Circle*™ is complete.

There are three parts to the *Stakeholder Circle*™ methodology and visualisation tool that cumulatively add to its effectiveness. The methodology supports the identification and prioritisation of all the project's stakeholders, producing a manageable number of the key stakeholders of that project. The second part of the methodology is the supporting software, which makes the task of allocating relative importance of stakeholders both time and effort efficient. The final part of the methodology is the processes for developing an engagement strategy and associated communications plan to support understanding of the expectations and perceptions of the stakeholders, and how they can be managed and met

The project team benefits from using the *Stakeholder Circle*™ methodology and tool both collectively and individually. The project benefits from having a multi-perspective view of the stakeholder community. Collectively, this perspective allows the project team to include in the stakeholder community—and engage at the appropriate level—any individuals or groups who can contribute knowledge or support to the project team. This tool helps to uncover often hidden knowledge that stakeholders possess, not just about their power and influence, but also their input to resolve issues that emerge. Individually, the team members will benefit from exposure to new ways of understanding relationship management; they will learn about the characteristics, leadership and management styles, and expectations of the project's key stakeholders. These experiences will contribute to their growth along the path to acquiring the project management *third dimension* skill—wisdom.

Organisations benefit from the increased awareness that their project team members have of project relationship management. They will also understand how to use the tools to achieve a better understanding of managing these relationships. Because the project team members of all projects that participated in the research benefited individually and as a team, their organisation can also benefit from this increased knowledge: this accumulation is part of an organisation's knowledge capital (Sveiby, 1997). An additional benefit is that organisations may improve project performance and outcomes in conjunction with its consequential decrease in wasted funds and resources. The value of using the *Stakeholder Circle*™—for the organisations that participated in this research—included the acquisition of new approaches and knowledge, information that resulted from synthesising theory with the gaps identified in the literature.

The new approaches to project relationship management implicit in the *Stakeholder Circle*™ methodology and visualisation tool should benefit the project management profession through reducing the risk of project failure and consequent waste of scarce monetary and human resources. The emphasis on building relationships and understanding how the project can benefit each key stakeholder establishes regular dialogue between the stakeholder and the project to eliminate misunderstanding and monitor stakeholder expectations. An improvement in the instances of project success should help improve the reputation of the project management profession.

Conclusion

The main outcome of this research was the refinement and testing of the *Stakeholder Circle*™. The workshop participants evaluated the methodology and its underlying theory as being effective for identifying key stakeholders and supporting the management of relationships. However, more research is needed on this subject, particularly on the methodology's usefulness in building and maintaining project relationships. Further research should be conducted in larger, more complex projects, and across all project phases, to test the effectiveness of the *Stakeholder Circle*™.

This research was focussed on the value of the *Stakeholder Circle*™ for the identification of key project stakeholders to reduce the chances of project failure through support for developing and maintaining relationships within the project. However, it is possible that the principles of the *Stakeholder Circle*™ could be applied to other industries or activities that depend on developing and nurturing relationships, such as marketing, advertising, or new business development. The *Stakeholder Circle*™ could equally well support the process of stakeholder identification, prioritisation and engagement in these activities as it appears to within the project environment.

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Author Biography

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Dr. Bourne is an award-winning project manager, consultant, and trainer with twenty years professional industry experience. She is the director of Training with Mosaic Project Services, focusing on PMP® accreditation and other project-related training. She was the inaugural recipient of PMI Australia's *Project Manager of the Year* award (2003); she was also awarded PMI's Robert J Yourzak tuition scholarship for the 2004/2005 academic year, which she used to complete her doctoral dissertation for the award of Doctor of Project Management. In this research, completed in 2005, Dr. Bourne investigated the dynamic interaction between project teams and their key stakeholders.

A recognised international speaker on the topic of stakeholder management and the *Stakeholder Circle*™ visualisation tool, she has presented at conferences and seminars in Europe, Russia, Asia, New Zealand, and Australia to audiences comprised of project managers in the information technology (IT), construction, defence, and mining industries. Dr. Bourne has worked extensively within the telecommunications sector as a senior project manager specialising in managing IT and other business-related projects. She has also worked as a senior information technology project management consultant with various telecommunications companies in Australia and South East Asia, in strategic planning, account management (within the IT industry), business process reengineering, and business development.

Dr. Bourne's career has included practical project experience with business management roles and academic research on delivering projects that successfully meet stakeholder expectations. She successfully developed and coached high-performing teams. As a program manager for an IT project management group, she developed programs for mentoring and coaching project managers and introduced an innovative program of apprenticeships to help engineers and technical specialists make the transition into project management-related positions.