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# PROJECT STAKEHOLDER CONCERNS AND EXPECTATIONS

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## ABSTRACT

The objective of the research was to develop a deeper understanding of how stakeholder expectation varies on capital projects. The focus was on developing new knowledge about governance frameworks and how they influence projects. The data was collected from a sample of interviews of stakeholders associated with construction projects.

One implication from this study was that the concerns, risk tolerance, and expectations of the stakeholder varied according to their position and role in the project organization. The question became one of what was desired by these stakeholders to address their concerns about management and delivery of projects. As a step towards developing a management and reporting framework, this paper studied stakeholder expectations in the context of stakeholder role and project performance.

This research contributes to both project governance and project management through a more clarified interface between these two spheres. Stakeholders have certain expectations regarding the efficiency, economy and effectiveness of monies spent on these projects, and they rely on oversight mechanisms to report project status. The paper offers practical help to those involved in developing or improving governance frameworks for projects, and new insight in the interplay between stakeholder groups and management functions.

**KEYWORDS:** project management; project performance; reporting; risk; stakeholders

## INTRODUCTION

On every project, there are seemingly countless internal and external stakeholders, each of which has different needs, opinions, and roles. Much research has been done in the area of identifying and categorizing these stakeholders, and their levels of power and influence, and communicating or interacting with them to the benefit of the project.

The concerns, risk tolerance, and expectations of the stakeholder vary according to their position and role in the project organization. These stakeholders will have different levels of interest and investment (both financial and non-monetary) in project outcomes. Each stakeholder likely has specific concerns about the management and delivery of the project. In order to understand how different stakeholder groups define project performance or success, and to develop appropriate reporting which addresses the concerns of these stakeholder groups, this research considered project success from the different perspectives of a subset of individual internal stakeholders, and identified their top concerns. Discussion about those concerns led to conclusions about how they could impact project performance.

## LITERATURE REVIEW

There are many different approaches to defining stakeholders. Some place considerable emphasis on fiduciary or contractual obligations (Orts and Strudler, 2002). Others, such as (Freeman, 1984), consider a stakeholder to be "... any group or individual who can affect or is affected by the achievement of the organization's objectives." For the purposes of this paper, we adopt the definition by (Bourne and Walker, 2005), in which stakeholders are "... individuals or groups who have an interest or some aspect of rights or ownership in the project, and can contribute to, or be impacted by, the outcomes of the project."

The list of stakeholders on a project can be substantial, including: employees, contractors, suppliers, governing bodies, financiers, clients and end users, the general public, unions, special interest groups, and even future generations. Some of these stakeholder groups will have more influence than others, due to the nature of their relationship to the project and Owner. The list of stakeholders with which the project team invests time and energy is thus often narrowed down to those who have the greatest ability to positively or negatively impact the project. Literature from the Project Management Institute (PMI, 2008) indicates that project stakeholders typically comprise a project manager, the customer / end user, performing organizations (the firms whose employees directly participate in realizing the project), project team members, the project management team, project sponsor, other people of influence, and the project management organization (PMO).

The most popular approach to managing stakeholders is to categorize them into several groups depending on their relative position in the project, level of involvement in the project, or legal relations between them and the project. Project-specific stakeholders may include the project sponsor, end users, client (Owner), and core project team members, together with community, 'shadow' team members (people who have informal relations with the project), and external groups (Walker 2003).

However, stakeholders may also be defined in a more granular fashion. This particular research focuses on four subsets of internal stakeholders. Such stakeholders have an official or contractual relationship with the project or organization (Winch, 2004) or are directly involved in decision-making processes for the project or organization (Atkin and Skitmore, 2008). (Rowlinson and Cheung, 2008) further divide stakeholders into classes of upstream stakeholders (customers and end users), downstream stakeholders (contractors and suppliers), external stakeholders (independent concerned parties and general public), invisible stakeholders, and project stakeholders (champion and delivery team). (Moodley et al, 2008) divide stakeholders into explicit stakeholders (owners and others with direct financial interests), implicit stakeholders (end users), implicitly recognized stakeholders (government and community), and other unknown stakeholders.

Because stakeholders can affect project outcomes, the definition of project success needs to be understood from the perspectives of different stakeholder groups, and should also consider the varying levels of interest and investment in project outcomes by different stakeholders (Newcombe, 2003). The definition of project success may vary from stakeholder to stakeholder, and may even conflict; depending on which stakeholder perspective is considered, a project may conceivably be both a success and a failure at the same time (Nalewaik, 2011). The organization must therefore adopt a stakeholder perspective when focusing on project outcomes (Nalewaik, 2011). (Walker & Bourne, 2005) identified

different kinds of potential stakeholder influence and impact on projects, such as efforts to cancel the project, change an aspect of the project, affect project scope, sway technical direction, reduce funding, or require specific reporting. Stakeholders can and will impact projects in both positive and negative ways. Because stakeholder support is crucial to project success, these concepts have become a key tenet in project management. Here, we define project management as "... the process of adapting the specifications, plans, and approaches to the different concerns and expectations of the various stakeholders" (PMI, 2008).

The hierarchy of stakeholders creates a network of interdependencies, accountability, and obligations (Nalewaik, 2011). Members of the project team tasked with delivering the project have a responsibility to appropriately advise and inform stakeholders, and they presumably have the experience and knowledge by which to do so (Morledge, 2010). Certain stakeholder groups may have little or no experience with construction, and consequently they may depend heavily on the project team for information on project status and guidance toward a successful project outcome (Morledge, 2010).

This research categorized stakeholders into four groups, namely; Owner Administration, Facilities Management, Project Management, and Construction Management. The next section of the paper describes how the research instrument was developed to explore the impact of stakeholder influence on project success.

## **DATA AND METHODOLOGY**

For this research, data was gathered from 25 publicly-funded capital programs in the United States of America (California). The project types included healthcare, higher (post-secondary) education, and K-12 education. The capital programs varied in size from US\$500 million to US\$6 billion.

Four stakeholder groups were selected for in-depth interviews conducted as part of program audits. Within this population, 954 stakeholders were asked to identify their biggest challenges and areas of concern, and were given an opportunity to provide context and depth in their free answers. Answers were transcribed at the time of the interviews, verbatim. The internal stakeholder groups interviewed included Project Managers, Construction Managers, Owner Administration (executive level), and Facilities Management. Using the distinctions identified above in the literature review, the stakeholder groups represented internal stakeholders in official upstream (Facilities Management and Owner Administration) or contractual downstream (Project Management and Construction Management) capacity. Both explicit stakeholders (all four stakeholder groups) and implicit stakeholders (Facilities Management and Owner Administration) were represented.

Owner Administration interviews included college presidents, school principals, and C-level executives in the Owner organization. These individuals were included during the project planning process, as their strategic planning and functional needs ultimately determined the design of the facilities and timing of the projects. They and their constituents were also end users of the facilities; the number of constituents could be extensive, including Facilities Management staff, employees, students, patients, neighbors, and the general public. The individuals interviewed worked closely with staff from both Project Management and Construction Management.

Facilities Management interviews included facilities managers, who were sometimes included during the project planning process and who would ultimately be responsible for maintaining the facilities along with their facilities and maintenance staff. These people were employed by and accountable to Owner Administration.

Project Management interviews included project managers and regional project managers, who were responsible for the oversight and delivery of the projects along with their project management staff. The project management group was also tasked with generating periodic (often monthly) project status reports. These individuals were contracted to and thus accountable to Owner Administration (and Facilities Management), and all their implied internal and external stakeholders.

Construction Management interviews included construction managers, who were responsible for the timely and satisfactory construction of the projects along with their construction management staff. Field data from construction contribute to project status and risk reports. These people were directly accountable to Project Management, and ultimately accountable to both Owner Administration and Facilities Management, and all their implied internal and external stakeholders. Depending on the Owner entity, Construction Management was contracted to either Project Management or Owner Administration.

The next section of the paper presents the results of the interviews, and offers an explanation of how stakeholders can impact both status reports and definitions of project success.

## RESULTS

The top three concerns for each stakeholder group are shown in Table 1, below. Where there is a statistical tie, several results are listed.

**Table 1:** Top three stakeholder concerns

<u>Top Concerns</u>	<u>Owner Administration</u>	<u>Facilities Management</u>	<u>Project Management</u>	<u>Construction Management</u>
<b>1</b>	-Communication	-Staffing (Financial)	-Communication -Teamwork with other stakeholders	-Communication
<b>2</b>	-Project cost	-Communication	-Staffing (Turnover)	-Policies & procedures (timeliness / bureaucracy)
<b>3</b>	-Managing expectations -Teamwork with other stakeholders -Staffing (Financial)	-Policies & procedures (standards)	-Project cost	-Contractor issues -Managing expectations -Staffing (Turnover)

The interviews provided deeper understanding of dynamics within the stakeholder matrix. Where both Owner Administration and Construction Management expressed concerns about managing expectations, one can see reflected in the answer the relationship between the two stakeholder groups. A similar push & pull was shown in the “teamwork” concerns stated by Owner Administration and Project Management.

In addition, the interviews provided context and clarification regarding the responses. At first glance, the “staffing” concern identified by three stakeholder groups appeared to reflect a universal issue. However, further explanation by the interviewees made it clear the concern was not exactly the same. For Facilities Management and Owner Administration, the Staffing (Financial) concern was financial; public funding was provided for design and construction of the new facilities, but no additional funding was provided for hiring additional staff to maintain those new facilities. In contrast, the Staffing (Turnover) concerns by Project Management and Construction Management were related to changes on the project team; when staff accepted jobs elsewhere, institutional knowledge was lost, and qualified replacements were difficult to find.

Other stakeholder concerns, which did not rank in the top three for any of the four stakeholder groups, included:

- Trust
- Project planning
- Conflicting priorities & urgency
- Politics
- Safety
- Documentation
- Project schedule
- Scope creep
- Satisfying the client / stakeholders
- Too many meetings
- Accuracy in reporting
- Change management
- Chain of command

The next section of the paper address the issues associated with each of the stakeholder groups, and their potential impact on both project performance and reporting.

## **DISCUSSION**

Scholars and industry practitioners alike have for many decades been attempting to investigate and identify the key factors that lead to project success. Capital projects attract a large number of individuals, organizations, and companies who interact with each other and influence the project in many ways. Once these stakeholders have been identified, measures of effectiveness can be developed against which their impact can be evaluated, governance developed to address the reporting and approvals structures, and mitigation put in place for potential conflicts between stakeholders. The topics of reporting and project performance, below, illustrate two key areas likely to be impacted by stakeholder diversity.

## **Project Performance**

In recent years, many researchers hold the view that project success concerns not only the iron triangle of cost, time, and quality, but also the satisfaction and effective management of the stakeholders involved (McElroy, B. and Mills, C. 2000; Bourne and Walker, 2004a). In this research, it can be said that the areas of concern identified by the four stakeholder groups are risks, or elements of the project that can impact success.

Interestingly, in this research, there was not much contrast between end-user concerns (Owner Administration and Facilities Management) and those contracted to deliver the projects (Project Management and Construction Management). This was contrary to researcher expectations, and yet it was a positive finding in the sense that it showed the various stakeholder groups were ultimately more aligned on project goals and aware of shared risks than was at first perceived during the interview process. Although the relationship between the groups was at times contentious, ultimately on their top three concerns they were seen to concur.

As mentioned above, the concern expressed by both Owner Administration and Construction Management about managing expectations reflected the relationship and dynamic between the two stakeholder groups. It is not unusual in education and healthcare projects (such as those represented by this sample population) to have a passionate and outspoken group of end-user stakeholders, who often have difficulty visualizing the final product (buildings) and are not savvy about regulatory or safety restrictions, and thus tend to impact the project through late changes, even during the punchlist and closeout stage of the project. Further, the individual end-user stakeholders in education and healthcare projects have an unfortunate tendency to experience turnover; due to the duration of public construction projects, those receiving the completed building might not be the same people who provided input during the design phase. The end-users want their building to function ‘perfectly’ (each according to their unique definition of perfect) and address all their spoken and un-verbalized needs. The construction manager wants to build the thing according to the agreed design and specifications, with a minimum of fuss and change. As such, failure of the project management group to facilitate ongoing and continuous education of the end-users during both the design and construction phases of the project, communication between the stakeholder groups throughout all project phases and, yes, ‘management’ of the Owner client / end-users (as politically incorrect as that might be perceived), may have considerable negative impact on perceptions of project success – not just cost and schedule, but customer satisfaction and the very usability of the building. A similar push & pull was shown in the “teamwork” concerns stated by Owner Administration and Project Management, wherein Project Management might be perceived by Owner Administration to have failed to adequately represent their needs when interacting with other stakeholder groups.

One Facilities Management top concern was very specific, indeed, to project success. Policies & procedures / standards reflected an urgent need by the end users to have standardized mechanical and electrical design. By standardizing these project elements across not just a project but across the entire campus or capital program, a facilities department can simplify and streamline training of facilities and maintenance staff, keep warranty and maintenance issues to a select group of manufacturers, and reduce the number and diversity of spare parts on hand (both mechanical spare parts and such things as lightbulb types). Failure on behalf of the project team to address these issues will ultimately impact the long-term cost and effectiveness of facilities maintenance, and satisfaction of the end-users.

Construction Management identified timeliness / bureaucracy as a primary concern, which reflected the various project management policies & procedures to be followed and approvals required in order for the project to progress. Some of those requirements are typically regulatory or statutory, but the remainder of the project management processes are often created by the project management organization (PMO). Policies and procedures are often brought to a project or program by the PMO, from other projects where they were utilized, with various inherent challenges. The processes might not have been adapted to accurately reflect the client organization, or might be overly prescriptive in their effort to manage a large and complicated capital program. Further insight was provided during the interviews – the construction management teams had two specific issues with policies and procedures. Firstly, the processes were perceived to be burdensome. Secondly, auditors discovered the processes were often not being followed, which was a symptom of both the burden and the lack of fit to the client organization. Both these issues were reflected in the concern about policies and procedures. With a mandate to complete projects on time and on budget, Construction Management was especially focused on streamlining processes and minimizing the number of procedural requirements in order to deliver the projects. To this end, timeliness and bureaucracy could impact project performance and thus project success.

The other top Construction Management concern was the issue of Contractor performance, which is a typical challenge in a public sector low-bid environment. This risk to project performance is very well known in the industry, and well documented and discussed in both research and practice.

For both Facilities Management and Owner Administration, the Staffing (Financial) concern was critical. Because public funding was provided for design and construction of the new facilities, but no additional funding was provided for hiring additional staff to maintain those new facilities, the useful life of the buildings and infrastructure would be shorter than expected. Indeed, this phenomenon has been well documented on publicly funded projects in California, and is a considerable cause for concern. We are reminded that definitions of project success are not limited to just the time of building receipt, but through the entire lifecycle of the building.

As for Project Management and Construction Management, staffing issues related to turnover on the project team could also impact project success. When staff left the projects due to having accepted jobs elsewhere, valuable institutional and project knowledge was lost, and qualified replacements were difficult to find. During the time period represented by the sample population and interviews, there was considerable investment in public projects and thus much competition for and ‘poaching’ of project staff, resulting in seemingly nonstop turnover on project teams. The impact on projects could not be readily quantified, but continued to be felt on project teams even years after the fact, in terms of finding documentation, maintaining relationships with both internal and external stakeholders, and understanding the history and context behind decision-making.

Other lower-scoring concerns pointed to organizational challenges within the project team and Owner, which could conceivably impact project success. These included project planning (the involvement of end-user stakeholders in the process), conflicting priorities between stakeholders, differing levels of urgency by stakeholders, the politics and stakeholder relationships inherent in public sector projects, difficulties in satisfying a diverse and ever-changing stakeholder population, management of change, and chain-of-command challenges



which reflected often visceral reactions to the very structure of the stakeholder matrix. Many of these could easily be considered as subsets of the “managing expectations” and “teamwork” concerns discussed earlier.

Each of the above elements can be seen to relate to concepts of project performance and success, and thus each needs to be addressed satisfactorily in order to deliver the stakeholder’s vision of the project.

### **Project reporting**

As can be seen in this research, communication was identified by all four stakeholder groups as a concern. A communication plan can be developed, specific to each stakeholder group, to address some of these issues.

We note that much of the necessary project communication is done through reporting, in addition to meetings, phone calls, and emails. However, the credibility and usefulness of reporting depends heavily on the report’s content, distribution, comprehension, and more (US EPA, 2007). Principles of inclusiveness address the issue of how relevant a report is to stakeholders. Discussions with and understanding of stakeholders should guide reporting, to endure reports present relevant information that can be readily understood by the intended audiences. “Because the ‘relevance threshold’ is subjective, an organization’s assessment of material issues cannot be completed without consideration of stakeholders’ expectations and interests” (US EPA, 2007). Project status reports may need to be tailored to specific stakeholder groups, meaning the project team may need to generate several different reports instead of just one which is one-size-fits-all. Reports should consider the materiality of available information, and the context in which it is presented such that the report may substantively influence stakeholder decision-making (US EPA, 2007). Due to the diverse nature of stakeholders, materiality may vary according to different stakeholder groups and serves to distinguish relevant information from the wide range of data which could be included in the report.

Project cost, along with project schedule, is often a key element in project reports. Indeed, the majority of project reports focus on the same type of project elements – cost, schedule, progress made, and incidents. Of the additional concerns identified in the research, several could be addressed and possibly mitigated through project reporting. Efforts at teamwork are not often visible after the fact; team activities and team-based decision-making, could be included in reports.

Constant communication and reporting can help the project team to address issues proactively and reduce the risk of a disconnect between the finished project and stakeholder expectations.

### **CONCLUSION**

This research is a step toward understanding and analyzing the potential impact of stakeholders on public sector projects, and provides some insight to the levels of stakeholder influence on projects.

The top three stakeholder concerns identified in the research fall into two key categories: project success and communication. The discussion above offers practical suggestions for developing or improving governance frameworks for project performance (success), and

insight to using periodic reporting (communication) to address the interplay between stakeholder groups and management functions.

Project stakeholders can have significant impact on a project, and as such project owners face certain challenges in managing stakeholders (and thus their project) effectively. In order to overcome these difficulties and to complete projects successfully, the project team needs to identify the various stakeholders on the project, critically identify and understand their expectations and interests, and be accurately aware of their potential influence on project. Failing to understand the most influential stakeholders might even mean failure of the project. By proactively addressing stakeholder concerns and constantly communicating issues and results, some project risk and change can be reduced, and outcomes continuously agreed. Essentially, the project team should know their intended audience, and address them accordingly in order to anticipate their needs and resolve concerns as early as possible, instead of remedying needs and concerns as problems and mismatched goals toward the end of the project.

The results of this research provide groundwork and assistance in formulating performance management and reporting strategies and engaging stakeholders on public sector projects, taking research in this field a step further by linking specific project concerns and risks to specific stakeholder groups.

Future studies may be undertaken to analyze the cost and schedule impact of stakeholder influences and determine appropriate strategies to effectively deliver the project within defined constraints.

## **LIMITATIONS OF THE STUDY**

This study analyzed a discrete subset of stakeholders on particular types of public-sector construction projects in California. A limitation of the study, therefore, lies in its generalizability. Although a substantial number of individual stakeholders were involved in the interviews, the stakeholder groups represented reflected only four types of internal stakeholders on education and healthcare projects. Thus, the findings might not be readily and firmly generalized to other countries and types of projects, or to external stakeholders, which prevents this research from making strong general claims. Further research is required to examine and evaluate the application of stakeholder analysis in different jurisdictions, industries, and stakeholder demographics.

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