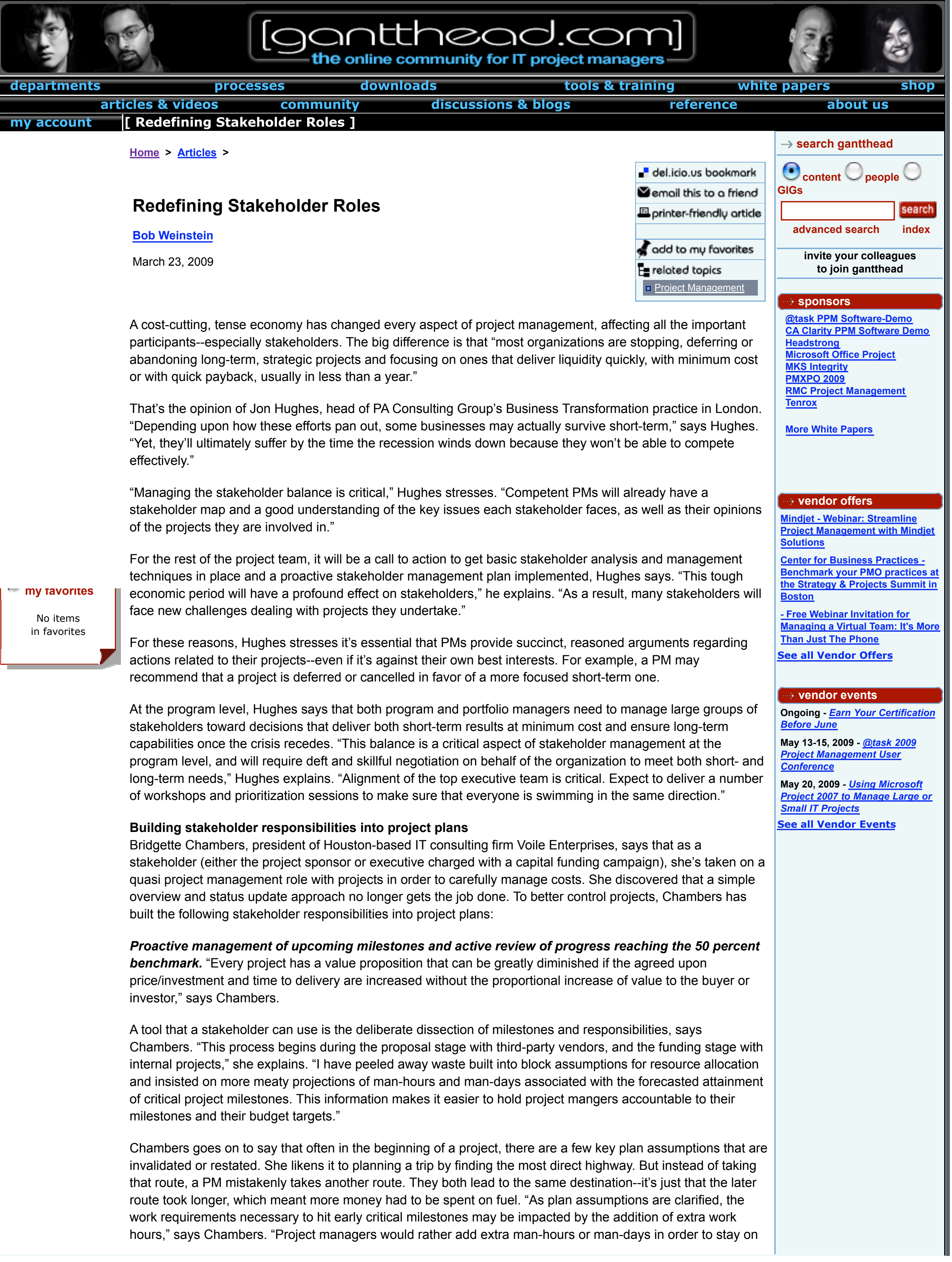

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Redefining Stakeholder Roles

Bob Weinstein

March 23, 2009

A cost-cutting, tense economy has changed every aspect of project management, affecting all the important participants--especially stakeholders. The big difference is that "most organizations are stopping, deferring or abandoning long-term, strategic projects and focusing on ones that deliver liquidity quickly, with minimum cost or with quick payback, usually in less than a year."

That's the opinion of Jon Hughes, head of PA Consulting Group's Business Transformation practice in London. "Depending upon how these efforts pan out, some businesses may actually survive short-term," says Hughes. "Yet, they'll ultimately suffer by the time the recession winds down because they won't be able to compete effectively."

"Managing the stakeholder balance is critical," Hughes stresses. "Competent PMs will already have a stakeholder map and a good understanding of the key issues each stakeholder faces, as well as their opinions of the projects they are involved in."

For the rest of the project team, it will be a call to action to get basic stakeholder analysis and management techniques in place and a proactive stakeholder management plan implemented, Hughes says. "This tough economic period will have a profound effect on stakeholders," he explains. "As a result, many stakeholders will face new challenges dealing with projects they undertake."

For these reasons, Hughes stresses it's essential that PMs provide succinct, reasoned arguments regarding actions related to their projects--even if it's against their own best interests. For example, a PM may recommend that a project is deferred or cancelled in favor of a more focused short-term one.

At the program level, Hughes says that both program and portfolio managers need to manage large groups of stakeholders toward decisions that deliver both short-term results at minimum cost and ensure long-term capabilities once the crisis recedes. "This balance is a critical aspect of stakeholder management at the program level, and will require deft and skillful negotiation on behalf of the organization to meet both short- and long-term needs," Hughes explains. "Alignment of the top executive team is critical. Expect to deliver a number of workshops and prioritization sessions to make sure that everyone is swimming in the same direction."

Building stakeholder responsibilities into project plans
Bridgette Chambers, president of Houston-based IT consulting firm Voile Enterprises, says that as a stakeholder (either the project sponsor or executive charged with a capital funding campaign), she's taken on a quasi project management role with projects in order to carefully manage costs. She discovered that a simple overview and status update approach no longer gets the job done. To better control projects, Chambers has built the following stakeholder responsibilities into project plans:

Proactive management of upcoming milestones and active review of progress reaching the 50 percent benchmark. "Every project has a value proposition that can be greatly diminished if the agreed upon price/investment and time to delivery are increased without the proportional increase of value to the buyer or investor," says Chambers.

A tool that a stakeholder can use is the deliberate dissection of milestones and responsibilities, says Chambers. "This process begins during the proposal stage with third-party vendors, and the funding stage with internal projects," she explains. "I have peeled away waste built into block assumptions for resource allocation and insisted on more meaty projections of man-hours and man-days associated with the forecasted attainment of critical project milestones. This information makes it easier to hold project mangers accountable to their milestones and their budget targets."

Chambers goes on to say that often in the beginning of a project, there are a few key plan assumptions that are invalidated or restated. She likens it to planning a trip by finding the most direct highway. But instead of taking that route, a PM mistakenly takes another route. They both lead to the same destination--it's just that the later route took longer, which meant more money had to be spent on fuel. "As plan assumptions are clarified, the work requirements necessary to hit early critical milestones may be impacted by the addition of extra work hours," says Chambers. "Project managers would rather add extra man-hours or man-days in order to stay on

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schedule than explain early mishaps. It's not unusual for PMs to make up the extra hours through later efficiencies in the development cycle."

Chambers' experience suggests that the "rob Peter to pay Paul" mentality usually continues to stack up extra costs instead of finding ways to net out to the targeted budget. Hence, there is a need for data and accountability.

After working on countless projects, Chambers finds she's in a much stronger negotiating position with external project mangers when armed with strong forecasts instead of blocking hours or relying on a number of planned resources to manage each milestone in the project plan. "By breaking the milestones down to data points and managing them to their percentage attainment, instead of using the industry standard qualitative hit/miss review of milestones, stakeholders can thwart cost overruns and project delays early in the project lifecycle," she says.

Personal participation in all change-management considerations. Chambers says she can manage overruns most successfully by removing decision rights for change management from PMs. Decision rights are critical, she maintains: "While a stakeholder gains freedom to focus on other pressing issues when they delegate key decision rights to project managers, they lose the ability to manage in real time when the issues of change management, quality or project delays are in jeopardy," she says. "To stay in the strategic realm, a stakeholder must empower qualified project mangers to execute on the agreed charter."

To hedge against the risk of costly change management, Chambers has often embedded a budget into the performance management process for project managers. "I provide the PMs with the ability to engage in change management up to an aggregate of 5 percent from budget/time," she explains. "Five is not a magic number; it is a fraction of the buffer I typically build into project budgets. If another stakeholder had tighter constraints, perhaps they would allow a project manager change management signature authority up to 3 percent over budget. The point is less the actual percentage and more that the review be embedded into the performance management process. Ideally, when dealing with third-party PMs, the terms and conditions can include a risk/reward clause providing incentive for budget attainment and penalty for budget overruns."

Chambers reviews project financials on a monthly and milestone basis. Every review measures where the project is in relation to budget and schedule. "When issues are caught in this type of time horizon, remediation can usually be scheduled without a material impact to the budget or schedule," she says.

Use of Six Sigma or other quality metrics to ensure fewer variations in the process. Process management is a good news/bad news story, says Chambers. "Process and quality management must be appropriate to both the development environment as well as the client environment," she adds. "Using the right process/quality tool or methodology provides rigidity to the project lifecycle [and] nets out variation. Unacceptable variation translates to unwanted costs and loss."

Flexibility is essential
Rick Brenner, a Boston-based organizational expert and IT project manager, maintains that due to the organizational chaos triggered by market conditions, a critical success factor for stakeholders right now is flexibility. He passes on the following three tips to guide PMs in forming a smooth and productive working relationship with stakeholders:

1. Anticipate disruption. Long-term projects are less likely to reach their anticipated conclusion than they were a year ago, says Brenner. "That's because of rapid changes in organizational priorities and resource configurations," he explains. "The probability of a project being disrupted is, in part, related to its duration. By keeping timelines and schedules short, you can reduce the likelihood of disruption. The meaning of 'short' depends on the project. If the project uses resources and people that are in high demand--or if they will be in high demand during its lifetime--then the shorter the duration, the better."

Brenner adds that there are other indicators of a high risk of disruption, which includes planned hiring, dependence on a different long-duration project and targeting a chaotic marketplace.

2. Anticipate resource pressures. Don't rely on others--especially the project team--to defend the resources that sponsored projects require, Brenner cautions. Since resource pressures involve organizational politics, competing for resources requires political skills. In most cases, Brenner says, stakeholders wield political power.

PMs should anticipate resource pressures. He says that the following strategies work in most situations:

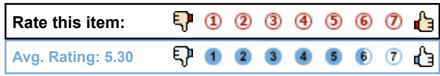
- **MacArthur** (named for Gen. Douglas MacArthur). Gen. MacArthur "described his island-hopping campaign strategy of the South Pacific in World War II as 'Hit 'em where they ain't,'" explains Brenner. "In this context, avoid pressures by sponsoring projects that use resources that aren't in high demand."
- **Powell** (named for Gen. Colin Powell). Powell formulated this strategy during Operation Desert Storm, and it can be successfully adapted by PMs, says Brenner. "Apply overwhelming force, and always have a well-defined exit strategy," he says. "Structure projects so that sufficient resources are used to get the job done quickly, with minimum risk. Should things go wrong, devise plans so that something of value is generated--even if the project must be terminated abruptly."
- **Petraeus** (named for Gen. David Petraeus). Petraeus created a strategy for rebuilding Iraq by increasing the number of people who had a stake in the success of the Multi-National Force. The big lesson here, says Brenner, is that by increasing the type and quality of stakeholders for projects, there is

less likelihood that its resources will be disrupted. “When considering projects, favor those that lead to ancillary projects and new customers,” he advises. Increase the stakeholder population for an existing project by persuading PMs on other projects to use its deliverables. “Remember that not all stakeholders are created equal,” Brenner adds. “Favor those with the most political clout.”

3. Focus on short-term cost reduction rather than revenue enhancement. Since demand is generally weak in this economy, companies are less inclined to introduce new products. Brenner’s advice: Favor projects that reduce costs in the short run and avoid those that support cost-reduction efforts that emphasize future activity, such as improving time to market or sales operations. Reducing the costs of current operational activity is the most fruitful place to start.

A final word about terminology

Brenner adds that it’s important to be clear about terminology. Many organizations think “stakeholders” is another term for sponsors. But they’re not the same thing, according to this IT PM--especially in agile development processes. “The literature of agile processes uses the term ‘stakeholder’ to describe a wide range of people with different interests in a project,” says Brenner. “They include sponsors, end users, internal customers, suppliers, marketers, program managers and project teams.”



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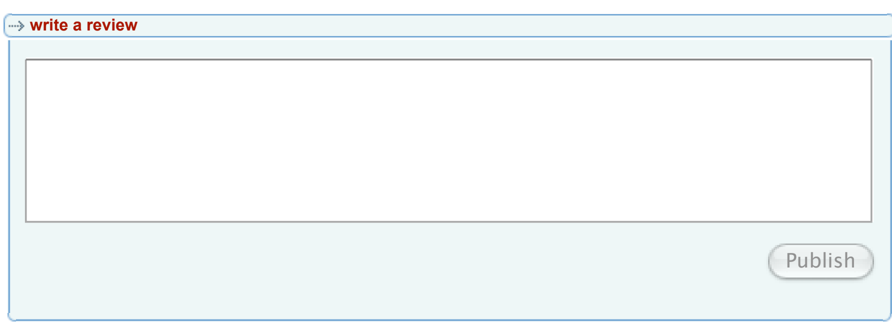

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