My stakeholders are my biggest risk – help!

Abstract |

Stakeholders can pose a real risk to our projects – at least some of them can – and project managers and their teams need to be aware of this and take steps to control risks to their project that arise from risky stakeholders. As with all risks, stakeholders present both positive as well as negative risks, and we need robust ways of identifying which stakeholders offer opportunities, and where potential threats might lie.

This paper presents a structured way of identifying risky stakeholders, based on a best-practice stakeholder analysis model (The Stakeholder Cube). It explains how risky stakeholders might influence a project, based on their Power, Interest and Attitude. Finally, the paper shows how applied emotional literacy can be used to influence risky stakeholders proactively in order to optimize the outcome for the project.

Key words |

Stakeholder, Stakeholder Cube, risk, risk attitude, emotional literacy

Introduction

The importance of stakeholders as influencers of project and business success has been increasingly recognized in recent years (Freeman, 1984; Freeman et al., 2010; Jeffrey, 2009; Bourne, 2009, 2015; Bourne & Weaver, 2016). This was reflected in the addition of a new knowledge area to the PMI® *A Guide to the Project Management Body of Knowledge* (PMBOK® Guide) – Fifth Edition covering Project Stakeholder Management (Project Management Institute, 2013, pp. 391-415). PMI defines a stakeholder as "*an individual, group, or organization who may affect, be affected by, or perceive itself to be affected by a decision, activity, or outcome of a project*" (Project Management Institute, 2013, p. 563; 2015, p. 12).

This definition makes it clear that the position adopted by stakeholders in relation to the project is likely to have a significant effect on whether or not the project succeeds. Where that position is unclear or ambiguous, then stakeholders become an important source of risk to the project, which should be identified, analyzed and managed proactively by the project manager and team. As with all risks, there are both positive and negative stakeholders, and projects need reliable ways of identifying which stakeholders offer opportunities, and where potential threats might lie – and then acting appropriately.

The paper presents a robust and proven framework for dealing with risky stakeholders, together with recommended strategies for managing those risks.

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People Power in projects

The definition of stakeholder makes it clear that stakeholders are in a position to exercise power within the context of a project. When considering the power of stakeholders, it is helpful to remember that power can derive from five sources (French & Raven, 1959):

- *Coercive/Sanction*: power that derives from the ability to inflict pain or discomfort or to withhold pleasure or reward
- *Reward*: power resulting from the ability to provide something of value
- *Legitimate/Positional*: power conferred by the authority of a role
- *Expert*: power exerted through recognized technical or knowledge expertise
- *Referent*: the power of role modelling, attractive characteristics or charisma

The range of stakeholders on projects is very wide, and usually includes the following:

- Project sponsor
- Project manager
- Project team
- Customers/clients
- Senior management
- Program/portfolio manager
- Other projects/operations

In addition, the following may be stakeholders on certain types of project:

- Suppliers/subcontractors
- End users
- Regulators
- General public
- Competitors
- Pressure groups/lobbyists

This wide range of stakeholders exercises power from one or more of the five sources in varying combinations and degrees of strength. For example:

- The project sponsor will have *positional power* through their role in approving the project charter and/or business case. They may also have *coercive power* through their ability to exert pressure on the project manager, for example by withholding or releasing resources.
- Project team members usually have *expert power*, and those with unique skills may also exert *reward and/or coercive power*.
- Customers have *reward power* as those who ultimately pay for the outputs produced by the project.

While recognizing these sources of power among stakeholders, the project manager should not neglect to identify and use their own sources of power within the project context. Indeed, a good project manager will be able to exercise all five sources of power in relation to various stakeholders, as appropriate.

Three-dimensional stakeholders

While it is clear that stakeholders possess and exercise various forms of power in the context of a project, other factors also affect the degree and type of influence that they are able to exert. The PMBOK Guide describes a number of two-dimensional stakeholder analysis models that consider such factors, including power/interest, power/influence, influence/impact, etc. (Project Management Institute, 2013, pp. 396-397).

While such two-dimensional models are useful, a more robust analysis can provide better insights into the nature of the effect stakeholders can have on a project. A number of multi-criteria stakeholder analysis models are available commercially, including a three-dimensional framework called the Stakeholder Cube (Hillson & Simon, 2012, pp. 39-42).

The three characteristics considered by the Stakeholder Cube include:

- Power (assessed as High/Low, or Strong/Weak)
- Interest (High/Low, or Active/Passive)
- Attitude (Positive/Negative, or Backer/Blocker)

Using these three dimensions allows project stakeholders to be categorized under eight headings, as shown in Exhibit 1. Each stakeholder type is given a shorthand name (Advocate, Friend, etc.), and the characteristics of each type is summarized in Exhibit 1.

Why stakeholders are risky

Risk has been defined in various ways, but a simple proto-definition that underlies the more formal versions is the phrase "*uncertainty that matters*" (Hillson, 2009, pp. 6-8). Risks are *uncertain* since they may or may not occur, and they *matter* because they would affect achievement of objectives if they did occur. If the potential effect of a risk is negative, then it is a *threat*, whereas a risk with possible positive effects is an *opportunity*.

There can be little doubt that stakeholders *matter*, given their ability to affect the outcome of a project. It is also clear that the behavior of stakeholders can be *uncertain*, since they are people (either individuals, groups or organizations), subject to a wide range of motivations, cognitive biases, attitudes, and other influences. Consequently, it is appropriate in the project context to recognize that stakeholders might be "*uncertainties that matter*", in other words that they could pose a risk to the successful completion of the project (Bourne & Weaver, 2016).

In the same way that risk encompasses both threat and opportunity, the uncertain behavior of stakeholders may also have a negative or positive impact on the project. It is possible to divide the eight categories of stakeholder in Exhibit 1 into two groups, based on their *Attitude*: those who might provide opportunities to the project by assisting it to achieve its objectives; and those who might pose a threat to the project by hindering its successful delivery.

- The four stakeholder types with a positive attitude to the project are potential sources of opportunity, including Advocates, Friends, Sleeping Giants, and Acquaintances.
- Those whose attitude is negative are potential threats, including Saboteurs, Challengers, Opponents, and Hindrances.

Assessing and managing stakeholder risk

As with any other risk, the level of risk posed by stakeholders can be assessed in two dimensions: the probability that a particular stakeholder might affect the project, and the potential size of impact. Probability is indicated by the strength of their *Interest*, and impact is driven by their level of *Power*.

Using the three dimensions of Power, Interest and Attitude therefore allows risky stakeholders to be prioritized using a typical Probability-Impact Matrix, as shown in Exhibit 2.

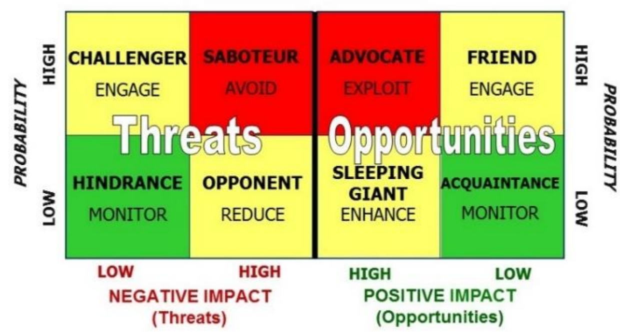

Exhibit 2: Prioritizing risky stakeholders

The position of each stakeholder type within the Probability-Impact Matrix (Exhibit 2) also suggests an appropriate risk response strategy:

- *Advocates* offer the greatest opportunity, since they have a positive attitude and an active interest towards the project, as well as high levels of power. There is a high probability that they will be able to assist the project significantly. This position should be *exploited*, by pursuing such stakeholders proactively and intentionally, seeking their support wherever possible.
- *Friends* also have a positive attitude to the project and are actively interested in it, so the probability of a positive outcome is high, but their power to influence the outcome is less. They should be *engaged* as far as possible to maximize their potential support.

- *Sleeping Giants* could be very useful to the project since they have a positive attitude and high power, although their level of interest is currently low so the probability of assistance is low. The aim should be to raise their interest in the project in order to *enhance* their potential contribution to its success.
- *Acquaintances* feel positively towards the project, but have no power to influence it and are only passively interested. Consequently, the probability and impact of any potential opportunity are both low. Their position should be *monitored* for possible changes, but they are not a priority for involvement.
- *Saboteurs* are potentially very dangerous for a project, since they have a negative attitude but are actively interested in the project (giving a high probability that they might intervene), and they have the power to exert a significant negative influence. Their involvement should be *avoided* where possible, to prevent significant disruption.
- There is a high probability that *Challengers* could prove dangerous, with a negative attitude and the power to influence the project. Fortunately, their level of interest is low, but it is wise to *engage* with them in order to counter and contain their potential negative impact.
- *Opponents* have a negative attitude towards the project and the power to have a high negative impact, and, but their interest level is currently low so the probability of this is low. The potential threat can be *reduced* by aiming to improve their attitude, through careful targeted communication.
- *Hindrances* feel negatively towards the project, but they are unlikely to cause a problem since their interest is low and they lack the power to influence the outcome. They should be *monitored* in case either their power or interest level changes.

Influencing risky stakeholders

Determining a suitable response strategy for risky stakeholders is relatively easy, based on analysis of their Power, Interest and Attitude. Implementing the chosen strategy may be more difficult, especially for external and/or powerful stakeholders. How can project managers influence those stakeholders who are assessed as posing the greatest threat or offering the greatest opportunity for their project?

The ability to influence without authority is a key attribute of effective project managers, and each project manager should make full use of the various sources of power available to them, as outlined above.

In addition, research shows that project managers (and others) who display high levels of emotional literacy are best placed to achieve successful outcomes (Hillson & Murray-Webster, 2007). Emotional literacy (or emotional intelligence) is a complex topic, beyond the scope of this paper (Goleman, 1995, 2001; Higgs & Dulewicz, 2002; Steiner & Perry, 2000). However, it is possible to develop simple pragmatic approaches to assist the project manager in applying emotional literacy principles to the challenge of influencing risky stakeholders.

The Six As Model (Exhibit 3) offers such a framework (Murray-Webster & Hillson, 2008).

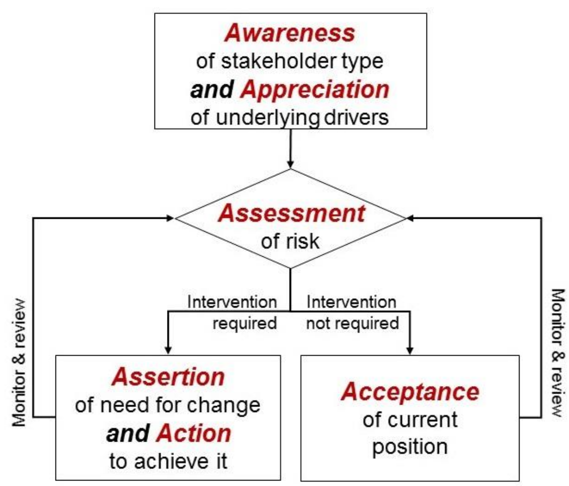

Exhibit 3: The Six As Model (adapted from Murray-Webster & Hillson, 2008)

The Six As Model can be summarised as follows:

- Develop *Awareness* of the position of stakeholders, considering their Power, Influence and Attitude.
- Seek an *Appreciation* of the drivers for these positions, including sources of Power, reasons for Interest, and influences on Attitude.
- *Assess* the level of risk associated with each stakeholder, including whether they are a threat or opportunity, the probability of them affecting project outcomes, and the potential size of any impact.
- Where intervention is required, *Assertion* and *Action* are employed to exert the necessary influence. An appropriate response strategy is selected and implemented, making use of the sources of power available to the project manager.
- If Assessment shows that no active response is required, the current position can be *Accepted*.
- Whether a stakeholder position is accepted or addressed, the ongoing situation must be monitored and reassessed periodically to determine whether intervention may be required at a later time.

Practical tips and traps

A simple risk-based framework has been outlined for influencing risky stakeholders. The following four practical tips should be considered when implementing this framework:

- *Know your stakeholders.* It is important for project managers to invest time and effort in identifying and understanding the stakeholders in their project, given their ability to affect project outcomes either positively or negatively.
- *Use your power.* Project managers should understand their sources of power and learn how to leverage them effectively when engaging with stakeholders.
- *Develop emotional literacy.* The ability to harness emotional literacy skills will enhance the project manager's effectiveness, especially when dealing with risky stakeholders.
- *Get help.* Each project manager should develop their own support network, including coaches and mentors, as well as formal and on-the-job training, to ensure that they are well equipped for the challenge of risky stakeholders.

There are also a number of traps to avoid when considering risky stakeholders:

- *Complacency.* It is easy to think that your project is immune from the influence of stakeholders, but it is not!
- *Focus on the negative.* Some stakeholders pose a threat to the project, and they should be addressed proactively. But the project manager should not forget or overlook positive stakeholders who may offer opportunities that could assist the project in achieving its objectives.
- *Do once.* Stakeholders change during the lifetime of a project, either through personnel changes, or with modifications to levels of Power, Influence and Attitude. It is important to review the stakeholder analysis regularly.
- *Analysis without action.* Understanding the risks posed by stakeholders must lead to appropriate response action, otherwise it is a waste of time.

Conclusion

A risk is any uncertainty that could affect achievement of project objectives. Some of the biggest risks in projects arise from stakeholders, and project managers and their teams need to be aware of these risks and manage them proactively. As with all risks, there are both positive and negative stakeholders, and it is important to identify which stakeholders offer opportunities, and where potential threats might lie – and then act appropriately.

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TYPE	POWER	INTEREST	ATTITUDE	DESCRIPTION
ADVOCATE	**Strong**	**Active**	**Positive**	These stakeholders are powerful, with a high interest level and a positive attitude towards the project. It is important to pay attention to these stakeholders, harnessing their support and doing whatever is necessary to keep it.
FRIEND	**Weak**	**Active**	**Positive**	With low power, but high interest and positive attitude, these stakeholders can be used as a confidant or sounding board. Their support should be maintained in case they gain additional power within the organization.
SLEEPING GIANT	**Strong**	**Passive**	**Positive**	Powerful stakeholders who support the project but display low levels of interest need to be awakened in order to raise their commitment to the project and maximize their positive input.
ACQUAINTANCE	**Weak**	**Passive**	**Positive**	Low-power, low-interest backers should be kept informed, but need not be a top priority unless their levels of power or interest increase.
SABOTEUR	**Strong**	**Active**	**Negative**	Powerful stakeholders with a high interest level in the project, but who display a negative attitude must be actively engaged in order to prevent them causing significant disruption. The aim is to convert their attitude to be more supportive, so they can use their influence to benefit the project.
CHALLENGER	**Weak**	**Active**	**Negative**	These stakeholders are very interested in the project, but do not support it, though they have little power to influence things. Their negative attitude needs to be contained and countered where possible.
OPPONENT	**Strong**	**Passive**	**Negative**	Stakeholders who are powerful but have low interest levels and a negative attitude towards the project should be understood so that potential damage can be minimized. Efforts should be made to transform their attitude to be more positive.
HINDRANCE	**Weak**	**Passive**	**Negative**	Low-power, low-interest, negative-attitude stakeholders are likely to act as a hindrance to the project, and their interaction with the project should be minimized as far as possible.

Exhibit 1: Categorizing project stakeholders (adapted from Hillson & Simon, 2012).

About the Author

Dr David Hillson, PMI Fellow, is recognized internationally as a leading thinker and expert practitioner in risk. David has received many awards for his innovative contributions to the risk discipline. His recent work has focused on softer aspects, including risk attitude, risk appetite and risk culture.

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