**LEARNER GUIDE**

**Identify internal and external stakeholders**

Unit Standard 252191

Level 4 Credits 4

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PERSONAL INFORMATION

|  |  |
| --- | --- |
| **NAME** |  |
| **CONTACT ADDRESS** |  |
|  |
| **Code** |  |
| **Telephone (H)** |  |
| **Telephone (W)** |  |
| **Cellular** |  |
| **Learner Number** |  |
| **Identity Number** |  |
|  | |
| **EMPLOYER** |  |
| **EMPLOYER CONTACT ADDRESS** |  |
|  |
| **Code** |  |
| **Supervisor Name** |  |
| **Supervisor Contact Address** |  |
|  |
| **Code** |  |
| **Telephone (H)** |  |
| **Telephone (W)** |  |
| **Cellular** |  |

INTRODUCTION

#### Welcome to the learning programme

Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take notes and share information with your colleagues. Important and relevant information and skills are transferred by sharing!



This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you!

Structure

### Programme methodology



The programme methodology includes facilitator presentations, readings, individual activities, group discussions and skill application exercises.

Know what you want to get out of the programme from the beginning and start applying your new skills immediately. Participate as much as possible so that the learning will be interactive and stimulating.

The following principles were applied in designing the course:

* Because the course is designed to maximise interactive learning, you are encouraged and required to participate fully during the group exercises
* As a learner you will be presented with numerous problems and will be required to fully apply your mind to finding solutions to problems before being presented with the course presenter’s solutions to the problems
* Through participation and interaction the learners can learn as much from each other as they do from the course presenter
* Although learners attending the course may have varied degrees of experience in the subject matter, the course is designed to ensure that all delegates complete the course with the same level of understanding
* Because reflection forms an important component of adult learning, some learning resources will be followed by a self-assessment which is designed so that the learner will reflect on the material just completed.

This approach to course construction will ensure that learners first apply their minds to finding solutions to problems before the answers are provided, which will then maximise the learning process which is further strengthened by reflecting on the material covered by means of the self-assessments.

#### Different role players in delivery process

* Learner
* Facilitator
* Assessor
* Moderator

### What Learning Material you should have

This learning material has also been designed to provide the learner with a comprehensive reference guide.

It is important that you take responsibility for your own learning process; this includes taking care of your learner material. You should at all times have the following material with you:

|  |  |
| --- | --- |
| **Learner Guide** | **This learner guide is your valuable possession:**  This is your textbook and reference material, which provides you with all the information you will require to meet the exit level outcomes.  During contact sessions, your facilitator will use this guide and will facilitate the learning process. During contact sessions a variety of activities will assist you to gain knowledge and skills.  Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take and share information with your colleagues. Important and relevant information and skills are transferred by sharing!  This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you! |
| **Formative Assessment Workbook** | The Formative Assessment Workbook supports the Learner Guide and assists you in applying what you have learnt.  The formative assessment workbook contains classroom activities that you have to complete in the classroom, during contact sessions either in groups or individually.  You are required to complete all activities in the Formative Assessment Workbook.  The facilitator will assist, lead and coach you through the process.  These activities ensure that you understand the content of the material and that you get an opportunity to test your understanding. |

### Different types of activities you can expect

To accommodate your learning preferences, a variety of different types of activities are included in the formative and summative assessments. They will assist you to achieve the outcomes (correct results) and should guide you through the learning process, making learning a positive and pleasant experience.



The table below provides you with more information related to the types of activities.

| **Types of Activities** | **Description** | **Purpose** |
| --- | --- | --- |
| **Knowledge Activities** | You are required to complete these activities on your own. | These activities normally test your understanding and ability to apply the information. |
| **Skills Application Activities** | You need to complete these activities in the workplace | These activities require you to apply the knowledge and skills gained in the workplace |
| **Natural Occurring Evidence** | You need to collect information and samples of documents from the workplace. | These activities ensure you get the opportunity to learn from experts in the industry.  Collecting examples demonstrates how to implement knowledge and skills in a practical way |

### Learner Administration



#### Attendance Register

You are required to sign the Attendance Register every day you attend training sessions facilitated by a facilitator.

#### Programme Evaluation Form

On completion you will be supplied with a “Learning programme Evaluation Form”. You are required to evaluate your experience in attending the programme.

Please complete the form at the end of the programme, as this will assist us in improving our service and programme material. Your assistance is highly appreciated.

### Assessments

The only way to establish whether a learner is competent and has accomplished the specific outcomes is through the assessment process. Assessment involves collecting and interpreting evidence about the learners’ ability to perform a task.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

This programme has been aligned to registered unit standards. You will be assessed against the outcomes as stipulated in the unit standard by completing assessments and by compiling a portfolio of evidence that provides proof of your ability to apply the learning to your work situation.



**How will Assessments commence?**

#### Formative Assessments

The assessment process is easy to follow. You will be guided by the Facilitator. Your responsibility is to complete all the activities in the Formative Assessment Workbook and submit it to your facilitator.

#### Summative Assessments

You will be required to complete a series of summative assessments. The Summative Assessment Guide will assist you in identifying the evidence required for final assessment purposes. You will be required to complete these activities on your own time, using real life projects in your workplace or business environment in preparing evidence for your Portfolio of Evidence. Your Facilitator will provide more details in this regard.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

### Learner Support

The responsibility of learning rests with you, so be proactive and ask questions and seek assistance and help from your facilitator, if required.



Please remember that this Skills Programme is based on outcomes based education principles which implies the following:

* You are responsible for your own learning – make sure you manage your study, research and workplace time effectively.
* Learning activities are learner driven – make sure you use the Learner Guide and Formative Assessment Workbook in the manner intended, and are familiar with the workplace requirements.
* The Facilitator is there to reasonably assist you during contact, practical and workplace time for this programme – make sure that you have his/her contact details.
* You are responsible for the safekeeping of your completed Formative Assessment Workbook and Workplace Guide
* If you need assistance please contact your facilitator who will gladly assist you.
* If you have any special needs please inform the facilitator

### Learner Expectations

Please prepare the following information. You will then be asked to introduce yourself to the instructor as well as your fellow learners



|  |
| --- |
| Your name: |
|  |
|  |
| The organisation you represent: |
|  |
|  |
| Your position in organisation: |
|  |
|  |
| What do you hope to achieve by attending this course / what are your course expectations? |
|  |
|  |
|  |
|  |
|  |

# UNIT STANDARD 252191

#### Unit Standard Title

Identify internal and external stakeholders

#### NQF Level

4

#### Credits

4

#### Purpose

The person credited with this unit standard will be able to identify internal and external stakeholders and describe their relationships with the organisation while explaining the importance of their relationship to each other.

The qualifying learner is capable of:

* Identifying internal and external stakeholders.
* Describing stakeholders relationship with the organisation.
* Describing the stakeholders relationship to each other.

#### Learning Assumed To Be In Place And Recognition Of Prior Learning

Learners accessing this unit standard will have demonstrated competence in:

* Communication at NQF Level 3 or equivalent.
* Mathematical Literacy at NQF Level 3 or equivalent.

#### Unit Standard Range

* Stakeholders will include customers, suppliers, the public, employees, management, consumer councils, local government, shareholders, trade unions and financial institutions.
* Marketing including all forms of marketing communications direct marketing and relationship marketing, sponsorship, event marketing, sales promotions, public relations and alternative strategies.
* Media will include all electronic, print, outdoor, digital media, e-media and direct media.

#### Specific Outcomes and Assessment Criteria

**Specific Outcome 1**

Identify internal and external stakeholders.

**Assessment Criteria**

* The range of stakeholders is identified for the defined business activities.
* All stakeholders are listed according to identification selection.
* Stakeholders are categorised into internal and external groups.
* The difference between internal and external stakeholders are identified for the business activity.
* Stakeholder requirements are clarified for the defined tasks.

**Specific Outcome 2**

Describe stakeholders' relationship with the organisation.

**Assessment Criteria**

* Relationships are described within the scope of defined tasks.
* The role of stakeholders in the organisation are specified to clarify differences.
* The importance of the relationships is explained and described for defined tasks.
* The impact stakeholders have on the organisation is explained for delivery of defined tasks.

**Specific Outcome 3**

Describe the stakeholders' relationships to each other.

**Assessment Criteria**

* Relationships are identified between relevant stakeholders.
* Relationships that impact on each other are identified within the scope of defined tasks.
* The significance and implications of the inter-relationships are described to each party.
* Actions to improve stakeholder inter-relationships are implemented according to existing organisational procedures.

#### Unit Standard Accreditation And Moderation Options

* An individual wishing to be assessed (including through RPL) against this unit standard may apply to an assessment agency, assessor or provider institution accredited by the relevant ETQA.
* Anyone assessing a learner against this unit standard must be registered as an assessor with the relevant ETQA.
* Any institution offering learning that will enable achievement of this unit standard or assessing this unit standard must be accredited as a provider with the relevant ETQA.
* Moderation of assessment will be conducted by the relevant ETQA at its discretion.

#### Unit Standard Essential Embedded Knowledge

A broad understanding of marketing stakeholders and their roles and relationships.

#### Critical Cross-field Outcomes (CCFO):

**Unit Standard CCFO Organising**

Organise oneself and one's activities so that all aspects of roles and relationships are identified and explained.

**Unit Standard CCFO Collecting**

Collect, evaluate, organise and critically evaluate information to the identification of stakeholders and their roles and relationships.

**Unit Standard CCFO Communicating**

Communicate effectively when describing stakeholders and their relationships.

**Unit Standard CCFO Demonstrating**

Understand the world as a set of related systems where the roles and relationships of stakeholders in a marketing environment impact on its overall success.

# IDENTIFY INTERNAL AND EXTERNAL STAKEHOLDERS

#### ***Specific Outcome 1***

Identify internal and external stakeholders.

#### ***Assessment Criteria***

* The range of stakeholders is identified for the defined business activities.
* All stakeholders are listed according to identification selection.
* Stakeholders are categorised into internal and external groups.
* The difference between internal and external stakeholders are identified for the business activity.
* Stakeholder requirements are clarified for the defined tasks.

## What are stakeholders in a company?

A stakeholder is any individual or organisation that is affected by the activities of a business.

They may have a direct or indirect interest in the business and may be in contact with the business on a daily basis or may just occasionally.

### The main stakeholders are:

* Shareholders (not for a sole trader or partnership though) – they will be interested in their dividends and capital growth of their shares.
* Management and employees – they may also be shareholders – they will be interested in their job security, prospects and pay.
* Customers and suppliers
* Banks and other financial organisations lending money to the business
* Government – especially the Inland Revenue and the Customs and Excise who will be collecting tax from them.
* Trade Unions – who represent the interests of the workers
* Pressure Groups – who are interested in whether the business is acting appropriately towards their area of interest.

### Stakeholders versus Shareholders

It is important to distinguish between a STAKEHOLDER and a SHAREHOLDER. They sound the same – but the difference is crucial!

Shareholders hold shares in the company – that is they own part of it. Stakeholders have an interest in the company but do not own it (unless they are shareholders).

Often the aims and objectives of the stakeholders are not the same as shareholders and they come into conflict.

The conflict often arises because while shareholders want short-term profits, the other stakeholders’ desires tend to cost money and reduce profits.

The owners often have to balance their own wishes against those of the other stakeholders or risk losing their ability to generate future profits (e.g. the workers may go on strike or the customers refuse to buy the company’s products).

### Social Responsibility

Social responsibility is the duty and obligation of a business to other stakeholders.

**Stakeholder -** Example of responsibility to that stakeholder

**Shareholder -** Good return on investment

**Employee -** Fair pay and working conditions

**Supplier -** Regular business and prompt payment

**Customer -** Fair price and safe product

**Local** **community** - Jobs and minimum disruption

**Government -** Employment for local community

**Environment -** Less pollution

Social responsibility for one group can conflict with other groups, especially between shareholders and stakeholders.

### Ethics

Ethics refers to the moral rights and wrongs of any decision a business makes. It is a value judgement that may differ in importance and meaning between different individuals.

Businesses may adopt ethical policies because they believe in them or they believe that by showing they are ethical, they improve their sales.

Two good examples of businesses that have strong ethical policies are The Body Shop and Co-Op.

Some examples of ethical policies are:

* Reduce pollution by using non-fossil fuels.
* Disposal of waste safely and in an environmentally friendly manner
* Sponsoring local charity events
* Trading fairly with developing countries

### Who are the important stakeholders in business?

Perhaps some people would say the stockholders are, since they are supposed to receive as dividends the portion of corporation profits that are paid to stockholders. But not all businesses are corporations that issued stock the public could purchase to provide the corporation some of its capital.

And most of the money furnished to corporations in the past by those who bought stock when issued by corporations were people whose incomes were large enough for them to save substantial sums of money, and most such people were prudent enough not to invest in any one stock any money they could not afford to lose if the stock price fell or the corporation failed.

Their future is not heavily dependent on how profitable are corporations in which they own stock. To be sure, in the 1990’s stock market boom, many people with lower incomes bought stock, lured by the prospect of getting rich if the stock price soared & they could sell the stock for a lot more than they had paid for it.

When the stock market bubble burst, many lost money they could not afford to lose. That was a tough lesson in prudence. Most established big corporations now do not depend much on issuing new stock for capital, but their business success is very important for very large numbers of people who have a stake in their success, as they do in the success of most unincorporated business.

So who are those who have the biggest stake in the success of business? For any business, its own employees depend upon the business for continuance of their jobs, for the income they receive from it, for the working conditions it provides, and for the way they are treated by management & by other employees.

At the moment their entire livelihood depends on continuance of the job, and if the firm fails or does so poorly that they are fired, they may find it very difficult to get another job, or if the job was desirable in other respects, to get as good a job.

Employees of businesses are by all odds the most important stakeholders in business. They want it to succeed and prosper, for any improvement in the job which takes half of their waking lives depends upon that. In the earlier history of this country, many a boss in business firms acted like a little dictator.

No one dared question the boss, however arbitrary any decision of his might seem to be--if an employee had dealt with an unruly child before he went to work one morning and so came to work feeling grumpy and did not address his boss as nicely as the boss expected him to.

He could fire him on the spot without a thought of how big a family that would put in dire straits, so labour unionism developed, only partly to improve wages but more importantly to check arbitrary boss behaviour.

Unions made no headway, however against very strong business opposition and even violence against union organisers.

It is a simple fact that when business realises it utter dependence on its employees and treats them well, it builds up employee loyalty, & that always improves their productivity & the quality of their work. It is just human nature to respond well to being treated well. Employees are not the only important stakeholders in business, there are others for whom the success of a business on which they now depend is very important.

For example, those stakeholders whom the business serve, like it’s’ customers who use its services or buy some of its products. They may have alternatives, but if they are customers it is often because they have a preference for its products or services. If there is no close substitute, as is sometimes the case, they depend heavily on the firm, and if the product needs improving it are more likely if the firm’s profits are relatively secure.

Market economies are often justified by their service to consumers. Most firms buy many things from other firms that supply them things they need in production, and they too depend on the success of the firms they supply for their own success. The purchasing firm often does not want to lose a major supplier either. Each is a stakeholder in the success of the other firm.

The communities in which a business has any of its production facilities or sales can be benefitted or hurt by the effects on the community. Most obvious in some cases are environmental effects. The business may pollute the air or the river or lake of the community, or may dump waste on the land it occupies or elsewhere in the area and may influence local government to bow to its demands without regard to community wishes.

On the other hand it may improve the community in many ways, such as upgrading the houses of employees or helping finance cultural attractions. The community has a stake in the success of business so it can do well by the community and a stake in its behaviour.

### Every business has stakeholders

Stakeholders are found in all organisations, businesses or firms – from a local greengrocer store to huge multinational companies such as Coca-Cola, McDonalds and Microsoft.

The number of stakeholders per business will vary as will their importance and influence. The type of organisation or product / service it supplies will also determine its stakeholders.

A Public Limited Corporation may have far more stakeholders than a family owned business due to its vast numbers of shareholders.

As too might a Nuclear Power Station such as Koeberg which may have many more stakeholders from the environment groups (Greenpeace / ‘Save the World’ etc) / government / local residents / trade unions than a more ‘low risk’ facility or industry.

However, as recent events such as the ‘Foot and Mouth Epidemic’ / BSE, and recent reports into colourings in packaged foods, it is impossible to predict when an organisation will gain new stakeholders – either of the wanted or unwanted kind.

The arrival of a new stakeholder often provides the company with an ethical dilemma of how to (or how not to) satisfy this new member’s needs, whilst avoiding conflict with the present stakeholders.

In an ideal world a fine balance could be achieved to satisfy all stakeholders whilst obtaining the organisations goals in profit and sales (often profit maximisation and / or sales maximisation).

However certain stakeholders may have completely conflicting measurements of success, resulting in one stakeholder being rewarded having a detrimental effect on another stakeholder.

Let’s differentiate between internal and external stakeholders:

Internal stakeholders are people who are already committed to serving your organisation as board members, staff, volunteers, and/or donors. Internal Stakeholders:

Board members, Staff members, Volunteers, Donors

External stakeholders are people who are impacted by your work as clients/constituents, community partners, and others. It is important to get the perspectives of both groups. External Stakeholders:

Clients, Community partners, Members of groups served by our organization who are not accessing our services; and Leaders from non-profit, public, or private sectors

### Stakeholder Management

Today, all players in business face the interest and the impact of different people and groupings.

Especially larger corporations have to care not only for the needs of their direct owners, but also of various other groups, like employees, public interest groups like environmental organizations, strategic partners, journalists or public monitoring bodies.

According to each company’s individual situation, this list could easily be extended.

Therefore, all businesses operate within a complex system of interests and influences. Management has to assess and evaluate these external forces in order to adjust them with corporate objectives.

These individuals and groups who depend on the organization to fulfil their own goals and on whom, in turn, the organization depends, are called stakeholders.

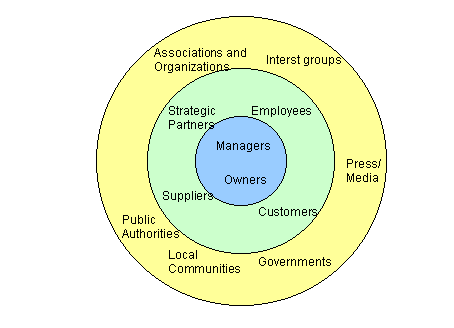
When it comes to important corporate decisions, it is necessary to know about the expectations of different stakeholders and to determine, to what extent they could and would exert an influence.

Hence, the importance of stakeholder management is not limited on day-to-day business. On the contrary, it is primarily concerned with long-term strategic decisions. These are all those developments that affect at least particular stakeholders.

***Identification of Stakeholder***

When identifying stakeholders it is not enough to focus on the formal structure of the organisation. Rather it is necessary to have a look at informal and indirect relationships too.

A useful model for this purpose is to visualize the stakeholder environment as a set of inner and outer circles. The inner circles stand for the most important stakeholders who have the highest influence.



This exhibit serves to give a general overview on possible stakeholders and their impact. In general, the formation of stakeholder groups depends on the individual situation of each corporation.

Although stakeholder analysis is sometimes used as a tool for industry analysis, its true value lies in the evaluation of particular problems for businesses and organizations.

In this sense, it is also a tool for evaluating strategies. The reason is that individuals and groups may behave differently in different situations.

For instance, environmental interest groups will have a low interest in staffing decisions; they could, however, have an extremely high impact when it comes to location decisions.

### Identifying the impact of stakeholders

In a stakeholder analysis, impact or power of a stakeholder is defined as the extent to which they are able to persuade, induce, or coerce others into following certain courses of action.

There are several ways to exert such power, for instance by direct authority, lobbying or exerting a dominant market position. The power of stakeholders can base on various sources:

|  |  |
| --- | --- |
| **Internal Stakeholders** | **External Stakeholders** |
| ·       Hierarchy (formal power) e.g. authority, senior position  ·       Influence (informal power) e.g. leadership style  ·       Control of strategic resources e.g. responsibility for strategic products  ·       Possession of knowledge and skills e.g. expert knowledge that forms the organizations core competence  ·       Control of the environment e.g. network of relationships to external stakeholders  ·       Involvement in strategy implementation e.g. as a change agent or responsibility for strategic projects | ·       Control of strategic resources e.g. monopolistic supplier  ·       Involvement in strategy implementation e.g. strategic partners in distribution channels  ·       Possession of knowledge and skills e.g. cooperation partners, subcontractors  ·       Through internal links e.g. networking |

The power of stakeholders can grow from different sources. Therefore, it might be helpful to look out for visible signs of power. These can be some of the following indicators:

|  |  |
| --- | --- |
| **Internal Stakeholders** | **External Stakeholders** |
| Status  e.g. position in hierarchy, salary level, bonuses | Status  e.g. speed of corporate reaction on requests |
| Resources  e.g. budget, number of staff in department – especially in relation to other departments or the total volume of resources | Resource dependence e.g. percentage of equity stakes, credit volume, buying or purchasing volume, mutual organizational linkages à switching costs for the corporation |
| Representation in powerful organizations / bodies, e.g. membership in important project teams and commissions | Negotiating arrangements  e.g. fixed standard prices vs. individual price negotiations |
| Status symbols  e.g. own secretary, company car, position and equipment of office | Status symbols  e.g. invitations to business events, direct access to top management |

No single indicator is likely to uncover the power and position of a particular stakeholder within in relation to the company. The combined evaluation of all sources and indicators of power, however, will improve general understanding of stakeholders.

### Analysis of Interest and Power

Besides the analysis of stakeholder power in terms of their ability to influence people and developments, it is also necessary to evaluate, to which extent the stakeholders will exert their power.

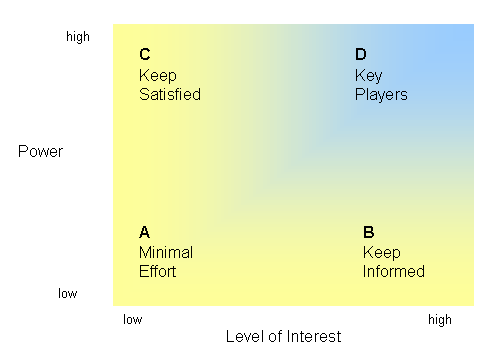
Local authorities, for instance, can have a high impact on an organisation. If the corporation plans to move their headquarter, local authorities would probably try to influence this decision. However, they will only be interested to know about other important business developments, e.g. introduction of new product lines or new marketing campaign, without taking any action.

The power/interest matrix is a useful tool for evaluation the expectations and the impact of particular stakeholders. It analyses the following questions:

· How interested is each stakeholder group to impress its expectations on the organization's decisions?

· Do they have the means to do so? à Do they have the power to do so?

In the result, the power/interest matrix provides valuable information on how to handle particular stakeholders and groups. It can also indicate, if certain decisions will receive support or resistance, and which groups have to become included in the decision process.



Stakeholders in sector A neither do not have a high own interest in corporate plans nor do they have to power to exert much impact. Organizations should keep these groups informed in the necessary extent, but should not invest too much effort into them.

Stakeholders in Sector B do have a high interest in the corporation and its actions. However, they have limited means to influence things. Despite their low power, such stakeholders could be valuable allies in important decisions. Therefore, Ii is advisable to keep them informed about the issues they are interested in.

The relationship with stakeholders in sector C could be difficult. In this group, we often find institutional investors or legislative bodies.

They behave passively most of the time and show a low interest in corporate affairs. Despite that they can exert an enormous impact on the organization, e.g. when it comes to investments.

It is therefore necessary to analyze potential intentions and reactions of these groups in all major developments, and to involve them according to their interests.

The most important stakeholders are those with high interests and high power, to be found in sector D. They have to be involved in all relevant developments.

All identified stakeholders should be grouped in this matrix. This can reveal the following insights:

· Recommendations for relationships to particular stakeholders

· Identification of supporters and opponents of a project.

· Necessary repositioning of stakeholders. (e.g. reduction of power of a major opponent – from D to B; increase of interest of a powerful supporter – from c to D)

· Measures to keep stakeholders in favourable positions. (e.g. fulfilment of information needs in sector C)

To support such tactics, organizations can compare the actual stakeholder map with a more favourable one. This allows revealing deviations.

It is the basis to find ways on how to reposition particular stakeholders. For instance, it is possible to influence the opinion of an important customer by involving him in early planning stages in order to find a solution that meets the needs of both parties.

The power of a supportive department could be increased by inviting representatives from this department into project teams and planning committees.

Moreover, this type of analysis can provide insights, if it is necessary to sub-divide larger stakeholder groups into smaller groups.

These sub-groups could be treated differently in order to meet their individual needs and to get their support.

Such a strategy allows to form new alliances and to shift power.

# STAKEHOLDERS’ RELATIONSHIP WITH THE ORGANISATION

#### ***Specific Outcome 2***

Describe stakeholders' relationship with the organisation.

#### ***Assessment Criteria***

* Relationships are described within the scope of defined tasks.
* The role of stakeholders in the organisation are specified to clarify differences.
* The importance of the relationships is explained and described for defined tasks.
* The impact stakeholders have on the organisation is explained for delivery of defined tasks.

## Stakeholder Relationship Management

The central role of stakeholders in the successful delivery of projects is becoming increasingly recognised. However, whilst critical to success, the stakeholders’ roles are neither passive nor predetermined.

The project team has significant opportunities to influence each stakeholder’s perceptions and expectations for the benefit of both the stakeholder and the company; but only when there is an effective relationship in place.

Identifying, mapping and prioritising a project’s stakeholder community is only the beginning. Projects will only be considered successful when their key stakeholders acknowledge they are a success.

This requires the project team to engage effectively with each of its key stakeholders to understand and manage their expectations and then deliver the project to meet or exceed these managed expectations.

Expectations are never “fixed”, effective communication can help change perceptions and expectations to make them realistic and achievable.

Conversely, ineffective communications can create the perception of failure in the mind of a stakeholder, even when the project is on time, on budget and delivering the specified results.

Engaging effectively and ethically with key stakeholders to help create a successful project outcome requires significant levels of skill and organisational maturity.

There is a 5 level model of Stakeholder Relationship Management Maturity, which provides a means for organisations and their staff to identify their level of readiness for the introduction of stakeholder engagement practices and to identify areas of potential improvement.

The 5 Levels of Stakeholder Relationship Management Maturity are:

**Ad hoc** – some use of processes

**Procedural** – focus on processes and tools

**Relational** – focus on the stakeholders and mutual benefits

**Integrated** – methodology is repeatable and integrated across all programs and projects

**Predictive** – used for health checks and predictive risk assessment and management

### Stakeholder Management

The definition of stakeholder that is the basis of discussion here is: “Stakeholders are individuals or groups who have an interest or some aspect of rights or ownership in the project, can contribute in the form of knowledge or support, or can impact or be impacted by, the [project, its work or outcomes.”

Effective relationships with an organisation’s entire network of stakeholders are essential for the long-term survival of the organisation itself and the success of the project organisations operating within it. These relationships must be managed in ways that best meet both stakeholders’ needs and expectations and the needs of the organisation.

When describing and defining successful stakeholder relationships the concept of “directions of influence” provide a starting point for stakeholder management activities; these directions are:

Managing ***upwards*** is about 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*** refers to the idea of managing the team and individuals working below your level

Managing ***sidewards*** is about managing the project managers’ peers to ensure collaboration, rather than their competition

Managing ***outwards*** involves considering the needs and impacts of a large group of stakeholders external to the work or project, and often to the performing organisation. This group will include some, or all, of the following:

* Clients or customers of the performing organisation
* Users of the solution and their managers
* The public, ratepayers, voters, lobby or action groups
* Government or regulatory bodies
* Shareholders
* Suppliers of personnel, materials or services
* Families of these stakeholders

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.

The table below summarises the directions of stakeholder influence.

|  |  |
| --- | --- |
| **Directions of influence** | **Stakeholders**  **(area of interest)** |
| Outwards | Client, end-user, stakeholders outside the project |
| Downwards | Team members |
| Upwards | Project owner, senior executives, those who present organisational commitment |
| Sidewards | Project managers’ peers; communities of practise |
| Internal | Stakeholders who are part of the performing organisation |
| External | Stakeholders who are outside the performing organisation |

### Components of Stakeholder Management

This method is used as the process framework to describe Stakeholder Relationship Management, but it is important to understand that SRM is not dependant on the use of any particular methodology.

The methodology simply provides the means for the project team to identify and prioritise a project’s key stakeholders, and to develop an appropriate engagement strategy and communications plan to ensure that the needs and expectations of these key stakeholders are understood and managed.

This circle is a flexible model that can be adjusted to cater for changes in the stakeholder community membership and stakeholder influence throughout the life of the project. There are five steps to the methodology:

#### The identification of all stakeholders

In this step, a small group of marketing project team members develop a list of stakeholders with the test of “which individuals or groups are impacted by the project, or can impact the project”. Then they identify the two aspects of the relationship between the marketing project and its stakeholders; how is each stakeholder important to the project.

The final step in this part is to begin the categorisation process by documenting each stakeholders “directions of influence”; upwards, downwards, outwards and sidewards, internal and external; this data is important for developing targeted communication. Understanding stakeholder’s expectations of the project will help focus the content of the communication messages.

#### Prioritisation to determine who is important

For complex projects the unranked, unrefined list can be quite large. The marketing project team needs to understand which of these stakeholders are more important at this stage in the project.

The circle methodology (as seen on the left) provides a system for the rating and therefore ranking stakeholders according to their relative importance based on three aspects; the stakeholders’ ability to:

* Kill the project (power)
* Closeness to the project (proximity)
* Urgency – how important is this project to the stakeholder and how prepared are they to achieve their own outcomes

#### Visualisation to understand the overall stakeholder community

The project team need to understand the structure of their stakeholder community; a graphical representation of the community highlighting key aspects can be most effective in helping build the needed understanding and insights.

The circle tool develops a multidimensional map of the project’s key stakeholders. The representations of the project community will be different for each project and for each phase of the project reflecting the project’s unique relationship pattern.

#### Engagement through effective communications

Engagement is centred on identifying communication approaches tailored to the attitude, expectations and needs of the individuals or groups identified and categorised in the previous three steps.

Developing a Stakeholder Engagement Profile constitutes the final process in collecting data on the stakeholders, leading to the creation of targeted communication plans for effective stakeholder management.

The Engagement profile is created by assessing and documenting the attitudes of key stakeholders through:

* Assessing current levels of:
* Stakeholder support for the project’s work and outcomes
* The stakeholders’ level of receptiveness to information about the project
* Determining the optimal level of:
* Stakeholder support for the projects’ work and outcomes
* Receptiveness to information about the project

#### Monitoring the effect of the engagement

Monitoring the effectiveness of communication is critical, where the communication is being effective, the current plan should be maintained, where it is not working, the communication plan should be changed.

Each time the stakeholder community is re-assessed and the engagement profile updated, any changes in the gap between the current profile and the optimal profile must be considered. This movement (or lack thereof) provides and indicator of the current communication plans’ effectiveness in influencing the attitudes of key stakeholders.

If there has been a worsening gap between the current profile and the optimal profile, this is a strong indicator that the communication strategy developed for the stakeholder is not having the desired effect. It should provide the evidence needed to try a different approach.

If there has been an improvement in the gap between the current profile and the optimal profile, it may indicate that the communication strategy is working and encourage its’ continuation.

# STAKEHOLDERS’ RELATIONSHIPS TO EACH OTHER

#### ***Specific Outcome 3***

Describe the stakeholders' relationships to each other.

#### ***Assessment Criteria***

* Relationships are identified between relevant stakeholders.
* Relationships that impact on each other are identified within the scope of defined tasks.
* The significance and implications of the inter-relationships are described to each party.
* Actions to improve stakeholder inter-relationships are implemented according to existing organisational procedures.

## Stakeholder Relationship Management Maturity

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **SRMM Stages** | **Standard processes** | **Central support** | **Organisation wide use** | **Beyond project** | **Typical communities** | **Risk handling** |
| **Ad hoc –**  **some use of processes** | **Some** | **No** | **No** | **No** | **No** | **No** |
| **Procedural – focus on processes and tools** | **Yes** | **Some** | **No** | **Some** | **No** | **No** |
| **Relational – focus on the stakeholders and mutual benefits** | **Yes** | **Yes** | **Some** | **Some** | **Some** | **No** |
| **Integrated – methodology repeatable, integrated** | **Yes** | **Yes** | **Yes** | **Some** | **Some** | **Some** |
| **Predictive – health checks and other predictive assessment** | **Yes** | **Yes** | **Yes** | **Yes** | **Yes** | **Yes** |

### Using the SRMM Assessments

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SRMM Stages** | **Features** | **Methodology steps** | **Reporting tools** | **Comments** |
| **Ad hoc –**  **some use of processes** | One areas recognises the need for improved stakeholder management | Generally focuses on simplified selected steps. | Self developed tools:   * Word templates * Spreadsheet lists | Requires continuous and significant management push to maintain impetus |
| **Procedural – focus on processes and tools** | Stakeholder management introduced as part of implementation of consistent processes | Sometimes all five steps but truncated and simplified | Standardise tools:   * Word templates * Spreadsheets with macros * Simple database | Requires continuous and significant management push to maintain impetus |
| **Relational – focus on the stakeholders and mutual benefits** | Recognition of usefulness for competitor analysis or support for acquisition | All five steps implemented. Move towards valuing insights in decision making | Fully functional tools:   * Spreadsheets with macros * Sophisticated databases | Useful for specific applications or events, rarely with an intention of continuous application |
| **Integrated – methodology repeatable, integrated** | Business as usual application using the full methodology for all projects and certain operational work | Steps 1-5, with step 4 engage and step 5 being vital of evidence of success | Graphic reports, visualisation, engagement, profiles etc. Used in managing reports | The methodology tool is used as a demonstration of repeatable application within that part of the organisation. |
| **Predictive – health checks and other predictive assessment** | Implementation of the full methodology and supporting tools tool. | Steps 1-5, lessons learned and comparative data. Integrated data across programs. | Trend reporting, pro-active risk identification; comparison between projects and different categories of work | Organisation – wide and complete focus on continuous improvement as competitive advantage. |