

A REVIEW ON STAKEHOLDER MANAGEMENT FOR CONSTRUCTION INDUSTRY

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ABSTRACT: Stakeholder is “Any group or individual who can affect or is affected by the achievement of the project’s objectives”. Stakeholder management is seemed to be one of the major concern in the construction project. The probability of project success is greatly reduced if stakeholders are ineffectively management. The interactions and interrelationships between stakeholders largely determine the overall performance of a construction project, and have the crucial responsibility for delivering a project to successful completion. But there are various factors that affects directly or indirectly to tackle the various stakes as result of which the project may divert towards failure. And hence it becomes crucially important to explore and identify those various factors and thus a review study has been summarized in this paper to give a brief overview on stakeholder management practices and affecting factors for Indian construction industry.

Keywords: Stakeholder, Stakeholder management, construction project.

INTRODUCTION

Construction project involves process of planning, scheduling, and controlling .Proper management of them will lead the successful completion of the project. But it seems major project are not completed due to improper management. One of the reasons behind it is improper stakeholder management. Stakeholder is “Any group or individual who can affect or is affected by the achievement of the project’s objectives”. The checklist of stakeholders in a construction project is often large and would include the owners and users of facilities, project managers, facilities managers, designers, shareholders, legal authorities, employees, subcontractors, suppliers, process and service providers, competitors, banks, insurance companies, media, community representatives, neighbors, general public, government establishments, visitors, customers, regional development agencies, the natural environment, the press, pressure groups, civic institutions, etc. (Newcombe, 2003; Smith and Love, 2004). If diverse stakeholders are present in construction undertakings, then the construction industry should be able to manage its stakeholders.

According to Calvert and Bonke, The Stakeholders in a project can be divided into

Internal Stakeholders-Those who are part project organization or financiers

External Stakeholders- Those who are not part of project organization but affect the project in a significant way.

STAKEHOLDERS OF CONSTRUCTION INDUSTRY AND THEIR ROLES

Stakeholder Name	Roles
Client	The client can be public or private. The main difference between a private construction project and a public project is that the client and the beneficiary are the same in a private construction project and in the reconstruction housing project the main initiator is the government and benefit accrues to the community affected (Siriwardena <i>et al</i> , 2010).
Consultant	Provides the consultancy advice for the project on designing, evaluating the cost, technical issues/advice (Siriwardena <i>et al</i> , 2010)
Contractor	Engage in actual construction according to the designs, specifications, contract documents communicated by the relevant parties (Siriwardena <i>et al</i> , 2010).
Funding body / Donor	Address humanitarian issues while providing the necessary funds to the community project. Ensures that the funds are utilized for the purpose. E.g. if a precondition is imposed to spend the money on community development, the donor has to make sure that the funds are used for this particular activity (Siriwardena <i>et al</i> , 2010).
International non-governmental organizations (INGO's) / Non-governmental organizations (NGO's)	Acted as the mediator of the funding body and the government. Assisted in constructing tens of thousands of temporary shelters and permanent homes (Siriwardena <i>et al</i> , 2010).
Government	The government takes the lead in terms of formulating and maintaining regulations, policies and monitoring the adherence to these. Setting the standards relating to the delivery of housing reconstruction projects (Harris, 2010).
Beneficiary/ End User	Is the most important stakeholder. Since, they are the beneficiaries their engagement should be to communicate their needs/ requirements of the relevant parties involved in executing the reconstruction housing project .Designing the house and supplying labor (skilled/ unskilled) at the stage of construction (Siriwardena <i>et al</i> , 2010).
General public	Voluntary involvement in clearing the debris, provision of labor at the construction phase of housing (Siriwardena <i>et al</i> , 2010).
Neighborhood	Own land; ensure that their interests will not be hurt by the project. A neighborhood may fear a fall in amenity (Harris, 2010).

Stakeholder Management is “The process of identification, analysis, communication, decision making and all other kinds of activities in terms of managing stakeholders.” Differing stakes can become a major source of conflict between stakeholders and hence it is worthwhile to manage stakeholders in most undertakings. Stakeholders’ influences are varied (Lynch, 2006) hence the need to respond to different stakeholders in different ways. Even if

all stakeholders have good intentions, and they often do, their large number in a given project warrants their management because the pursuit of their individual objectives may not necessarily be congruent. A proactive approach is needed in dealing with stakeholders as opposed to being reactive. While minimal effort is required in satisfying stakeholders with low levels of interest, greater effort is required in keeping those with high levels of interest happy (Carter, 2006).

MAPPING THE STAKEHOLDER

Mendelow has presented a model of environmental scanning in the context of the stakeholder concept, and includes the dynamism of the environment and the power of the stakeholder relative to the organization or, as in this case, the project. According to Mendelow, the basis on which stakeholders possess power relative to an organization is liable to change depending on the impact which the stakeholders' environment has on the stakeholders basis of power.

The model that is presented consists of a grid where power and dynamism are relevant factors. Power ranges from low to high, and dynamism ranges from static to dynamic. A static environment implies that there is little likelihood of the stakeholders to alter their power base, and a dynamic environment may lead to alterations in the bases from which stakeholders derive their power.

Johnson and Scholes, simplified and adapted Mendelow's model and changed the axes of dynamism to instead measure interest, and thus formulated the power/interest matrix.

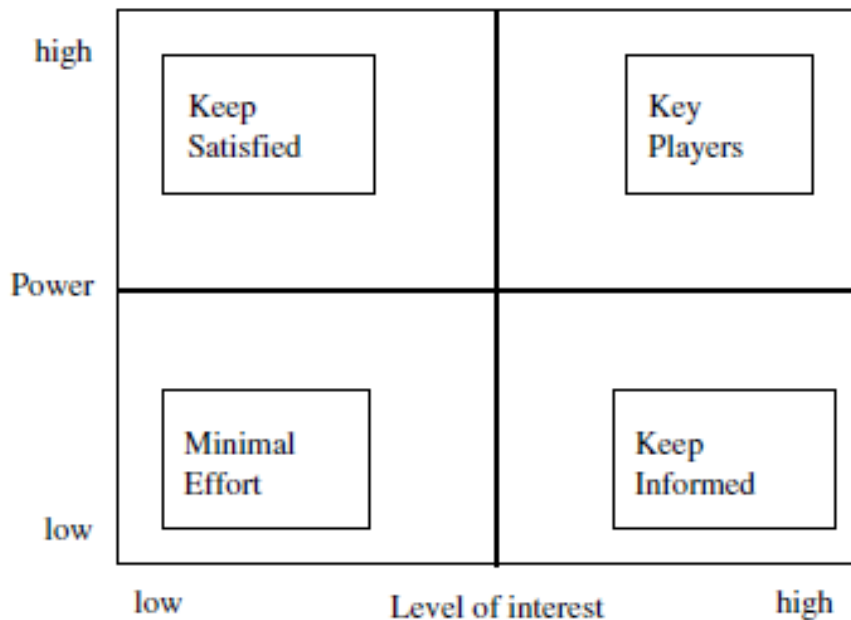


Figure 1: Power/Interest Matrix

NEED FOR CONSTRUCTION STAKEHOLDER MANAGEMENT

Modern construction clients tend to manifest as dynamic configurations of stakeholders who engage with a multifaceted market (Newcombe, 2003). In projects involving multifaceted clients, large project teams and many other stakeholders, there is a dire need for effective coordination and general management of the different stakes, and this warrants effective client leadership. This role of the client is underachieved (Latham, 1994; Egan, 1998, 2002; Boyd and Chinyio, 2006). Stakeholder management enhances greater competency in relational issues and minimizes risks therein.

To achieve a successful project outcome, the project manager must be adept at managing the interests of multiple stakeholders throughout the entire project management process (Sutterfield et al., 2006). Although principles can be adopted across boundaries, construction has its peculiarity, hence the need to evolve principles of construction stakeholder management based on empirical research.

IMPACT OF STAKEHOLDERS ON PROJECTS AND ORGANIZATIONS

The probability of project success is greatly reduced if stakeholders are ineffectively management. The lack of participation from the stakeholders is directly affect the project objective. In this case, the project manager has problems to clearly define the objectives of the project. Without clear and precise objectives neither the project manager nor the rest of the stakeholders will know when the project will have accomplished its objectives. the project will be successful from the managers point of view or the company, except if the project doesn't fit the demands of the objectives of both parties, the stakeholders won't be satisfied with the project results. Potential problems associated with a ineffectively management are: **a poor scope because of the lack of definition in, work problems coming from assigned sources to the project, regulatory changes that affect the project, or a negative reaction from the community against the project.** All these problems put together with the lack of participation of the stakeholders in the project which affects the budget and schedules.

The stakeholder management is intimately related to **Corporate Social Responsibility**. CSR which could also be understood as a voluntary social and environmental concern in the business transaction and the interactions with the stakeholders (Enquist, 2006). The CSR perspective the organizations understand that they have a moral obligation with the stakeholders based on ethic, social and economic respect.

FORMULATING STAKEHOLDER MANAGEMENT STRATEGIES

There are various ways to deal with the issues. Aaltonen and Sivonen (2009) found that the Companies involved in the execution of global projects may enact different strategic responses as a result of the stakeholder pressures, and they identifies and describes five different types of stakeholder management strategies, varying from passive to active approaches enacted by focal project companies. The identified stakeholder management strategies are an adaptation strategy, compromising strategy, avoidance strategy, dismissal strategy, and influence strategy

Adaptation strategy: Obeying the demands and rules that are presented by stakeholders. It is considered that in order to cope with the demands and to achieve the objectives of the project it is better to adjust to the external stakeholder pressures.

Compromising strategy: Negotiating with the stakeholders, listening to their claims related to the project and offering possibilities and arenas for dialogues. Making reconciliations and offering compensation. Opening the project to the stakeholders.

Avoidance strategy: Loosening attachments to stakeholders and their claims in order to guard and shield oneself against the claims. Transferring the responsibility of responding to the claims to another actor in the project network.

Dismissal strategy: Ignoring the presented demands of stakeholders. Not taking into account the stakeholder related pressures and their requirements in the project execution.

Influence strategy: Shaping proactively the values and demands of stakeholders. Sharing actively information and building relationship with stakeholders.

FACTORS THAT INFLUENCES STAKEHOLDER MANAGEMENT IN CONSTRUCTION PROJECTS

According to previous studies, following are the various factors that influence the construction project.

- Managing stakeholders with social responsibilities;
- Project Manager Competences;
- Flexible Project Organization;
- Formulating a clear statement of project missions;
- Identifying stakeholders properly;
- Understanding area of stakeholders' interests;
- Assessing attributes (power, urgency, and proximity) of stakeholders;
- Evaluating the stakeholder legitimacy;
- Analyzing conflicts and coalitions among stakeholders;
- Compromising conflicts among stakeholders effectively;
- Keeping and promoting good relationships;
- Formulating appropriate strategies to manage stakeholders;
- Predicting stakeholders' reactions for implementing the strategies;
- Transparent evaluation of the alternative solution based on stakeholder concern
- Influence of politics for successful completion of the project;
- Flexibility in the implementing strategy to deal with stakeholder's reaction;
- Stakeholders involvement in decision making;
- End User's involvement;
- Maintaining alignment between Stakeholder;
- Communicating with and engaging stakeholders properly and frequently;
- Assigning proper Resources to the project
- Reaction from Community against the project

CONCLUSION

From this study it seems that the main factors affecting the stakeholder management process are hiring a project manager with high competency, managing stakeholders with social responsibilities, Communicating with and engaging stakeholders properly and frequently, setting common goal and objective of the project, and exploring the stakeholder need and expectation. The client and donor are the main key stakeholders, who have the most

influence in the construction project in. It's recommended that the different agencies have to recruit the project managers based on his competencies and to delegate them a suitable degree of authority to lead the management process of the stakeholder successfully.

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