

A Case Study of How Stakeholder Management Influenced Project Uncertainty Regarding Project Benefits

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ABSTRACT

The influence of stakeholders and stakeholder management on project uncertainty is examined, and particularly uncertainty regarding functionality delivered by projects. The case studies, two projects in the Norwegian Rail Authority (Jernbaneverket), included interviews with representatives of internal and external stakeholders and also examination of project documentation. In addition, conflicts and use of power between stakeholders in the projects were studied. The projects actively managed relations with external stakeholders, thereby reducing the risks of negative media attention and neighbour disputes, and also cost and time overruns that such disputes may cause. Both of the projects focused on risk reductions regarding costs and time schedules, and less on the functionality delivered by the project. While mastering potential conflicts with external stakeholders well, the largest project appears to have handled internal disputes less convincingly. The smaller project handled internal disputes well, but experienced problems concerning both costs and time schedules.

Keywords: Conflict Handling, Project Management, Project Ownership, Risk Management, Stakeholders, Uncertainty Management

MOTIVATION FOR THE STUDY

Projects may be regarded as either examples of 'a set of unified activities to create a predefined outcome' or 'a scene of war' where conflicts are an essential part of the picture. Neither of these alternatives holds the full truth, but both have important elements which should be borne in

mind when trying to understand how projects evolve. In this article we will look closer into how *conflicts* led to two case study projects achieving success or failure to a greater or lesser extent. Conflicts are not necessarily antagonistic, but many project decisions may easily be seen as a matter of someone winning and someone losing. Differences in interests are often quite obvious, with the outcome that some will gain and some will lose. To give a general

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example, the ‘iron triangle’ of time, cost, and quality which rules most projects (Atkinson, 1999) renders it necessary to make choices and compromise between the three aspects. The divergences between project stakeholders need not be antagonistic, however, and quite frequently what are regarded as opportunities for *one* stakeholder may prove to be disadvantages or even threats to *another* stakeholder. This study focuses on risk management of benefits or delivered functionality from the projects, and not of project costs or time scheduling. In particular, we examine how internal and external stakeholders influenced the studied projects, whether they increased or reduced the uncertainty as to the functionality delivered, and also how the projects and the base organization interacted. By base organization, we here mean the larger, permanent organization that the project will eventually be delivered to, i.e., the larger project owner organization. In this case, the base organization was Jernbaneverket (JBV), the Norwegian Rail Authority.

We selected two projects in a setting where the stakeholders are many and different, and where demands to the projects repeatedly changed quite substantially. Furthermore, we selected projects which had quite recently been finished, thereby affording fairly good and easy access to information from projects and stakeholders. We selected two railway projects close to the Norwegian capital, Oslo. In the same surroundings a few years earlier, a major railway project – intended to establish a high speed rail link to the capital’s newly built main airport – had experienced serious setbacks, resulting in large delays and budget overruns (Smedstad, 1997; NOU, 1999). This is an important part of the backdrop to the project setting.

To explore the size effects on the phenomena studied, one large and one small project were chosen. To focus the study, the following set of research questions was addressed:

Q1: How does the prioritization between the project’s functional deliveries versus its costs and time schedule influence the in-

teraction between stakeholders and project management?

Q2: What is the influence on risk management from conflicts between stakeholders?

INTRODUCTION

Risk Management

Today, risk is considered a major factor influencing project success, and project risk management is an important activity in any capital project. Project risk management is also one of the nine knowledge areas in the Project Management Institute’s (PMI) standard-setting publication, *A Guide to the Project Management Body of Knowledge: PMBOK® Guide* (2008a). Most maturity models include risk, including the PMI’s OPM3 model (2008b) and the Office of Government Commerce’s (OGC) *P3M3* model (OGC, 2008). More recently, a new standard on project risk management has been published by the PMI (2009).

A *risk* is defined here as: ‘An uncertain event or condition that, if it occurs, has a positive or negative effect on a project’s objectives’ (PMI, 2008a). It must be emphasized that a risk is characterized by having both a consequence and a probability.

Uncertainty is defined here as ‘The difference between the amount of information required to perform the task and the amount of information already possessed by the organisation’ (Galbraith, 1977).

Hence, a risk is categorized as having an impact, while an uncertainty may or may not have a known impact. An uncertainty is therefore the most comprehensive term. Here, both terms include both positive and negative possibilities. We use *risk* as a common term for *risks and uncertainties*.

The term *project benefits* has many aspects, and we find it used with many meanings. Two basic dimensions are time and stakeholder perspectives. In this study we mainly consider long-term and medium-term benefits to society

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