
External Stakeholder Analysis in Construction Project Management

Doctoral Dissertation, September 2006

Stefan Olander

Key words

Stakeholders, stakeholder management, construction projects, project management, property development.

© Copyright Stefan Olander and Construction Management, Lund University

Published in 2006 by
Construction Management
Lund University
P.O. Box 118
SE-221 00 Lund
Sweden

Tel: +46 (0)46 222 74 21
Fax: +46 (0)46 222 44 14
E-mail: bekon@bekon.lth.se
Internet: www.bekon.lth.se

ISSN 1651-0380
ISBN 91-85257-95-8
Construction Management nr 06/1023

Printed by Media Tryck 2006



Summary

The planning and construction of a facility can affect several interests. Positive effects are, for instance, better communications, better housing and a higher standard of living. However, construction projects inevitably bring varying degrees of deterioration and change at the local level, not least at the construction site. Representatives of these interests are referred to as the project's stakeholders. A project stakeholder can be defined as a person (or group of people) who has a vested interest in the success of a project and the environment within which the project operates. Vested interest is defined as having possession of one or more of the stakeholder attributes of power, legitimacy or urgency for their claims upon the project. There are essentially two categories of stakeholders: internal, who are those actively involved in project execution; and external, who are those affected by the project.

The basic problem is that if a facility is to be built some external stakeholders will be negatively affected by that facility or by the implementation of the construction project leading up to it. It follows that, in the course of implementing a construction project, not all needs and concerns from external stakeholders can be fulfilled. The challenge for the project manager is then to plan and implement the project in a manner that fulfils as many external stakeholder needs and concerns as possible without compromising the purpose of the project. The role of the project manager must involve not just an understanding of the technical process, but also an understanding of the links between technique, the environment, the community and the people in it. For instance, a local community possesses unique information about local circumstances. The project manager should acquire knowledge about the location of the project using this competence and, furthermore, engage the local community in the planning of the construction project. Thus, an external stakeholder management process should, if managed correctly, be seen as a positive opportunity to improve the project.

The purpose of the research project is to contribute to, and increase, knowledge concerning external stakeholders for construction projects, and to develop methods and tools for the analysis of the influence of external stakeholders. The

aim is to formulate a theoretical and general model to describe the process of analysing external stakeholder needs and concerns for construction projects. The model will form a baseline for actions intended to improve the decision-making process for the implementation of construction projects.

The research process has focused on understanding the influence of external stakeholders. Models have been developed for external stakeholder analysis in construction project management. A systems approach has been adopted and a case study has been used as the main method of research in combination with literature reviews. The case study method was chosen because of the qualitative nature of the research. Five project cases were examined. The projects were chosen for their different characteristics, i.e. they differ in size, type (civil engineering or housing) and purpose (local, regional or national). The common feature is that all projects, proactively or reactively, have had to consider and commit resources to a process of external stakeholder influence.

From the studied cases and literature reviews the external stakeholder analysis process can be described as consisting of the following five components:

1. stakeholder identification
2. stakeholder needs and concerns
3. stakeholder impact analysis
4. evaluation of alternative solutions
5. level of acceptance.

The process is dynamic and iterative, where the different components interact across the project life cycle, and where every part of the analysis will have to be conducted several times over as the project progresses in order to provide sufficient information about the effects of different project decisions.

From the perspective of the developer and the project manager, the external stakeholder analysis must be conducted with respect to the project's purpose. The aim must be to complete the project according to the requirements of the project owner. The challenge is then to find trade-offs that fulfil as many external stakeholder needs and concerns as possible. The external stakeholder analysis should provide a basis for forthcoming project decisions. One clear reason for controversy and conflict is that decisions on a course of action for the project were made without analysing the consequences for external stakeholders. The result of this was that the project manager was not prepared for the possible conflict that might arise, and thus had no plan of how to resolve or handle them.

External stakeholder analysis is a relevant and neglected area of expertise. Four of the five projects studied had not conducted any analysis of how the project would influence external stakeholders or how the stakeholders could have influenced

project decisions. The research findings are thus important for construction project managers and facility development companies to help them understand the influence external stakeholders might have on the implementation of projects. The theoretical contribution of this research is increased understanding about the influence external stakeholders has on construction projects, and how construction project managers can analyse and structure information about stakeholders in the form of models and tools that support analysis.
