

Teaching Note

Stakeholder Analysis: Understanding the Concept of Interests, Expectations and Requirements (IER) and how they apply to the Development of Stakeholder Management Action Strategies

Effective management of key stakeholders is critical to the success of DoD system acquisition and sustainment programs. This paper describes three stakeholder analysis tools that can provide insight about key organizations and/or individuals and enable you to assess their ability to significantly help or hurt your program, project, or task.

At the beginning of any program, project or task, analyzing and understanding your identified stakeholders is very critical. A clear understanding of individual interests, expectations, and requirements (IER) as a first step in stakeholder analysis or assessment is key and will permit you to assess each stakeholder in the context of their *power* and *involvement* to your program.

The “Power Grid” is a useful tool for prioritizing stakeholders based upon their influence and importance. An “Involvement Matrix” is a practical aid for identifying actions to increase stakeholder commitment and engagement.

This teaching note will provide insights into the concept of IER and how to apply it towards assessing the ultimate power and involvement a stakeholder has towards your project or program.

Interests, Expectations, and Requirements (IER)

Stakeholder analysis involves identifying and analyzing stakeholders who can affect or are affected by the achievements of your program, project or task. In analyzing stakeholders, it is important to first understand interests, expectations, and requirements (IER) because they are the motivations behind every program, project or task. Interests can be defined as whatever you care about that is at stake-- what you want or like that is pertinent to the project or task. Some interests are tangible and objective such as cost, profit, timing, quality level, and specifications. They also can be intangible and subjective. What people “want” is what can be termed their **interests** or, as sometimes called, their stakes (hence the name “stakeholder”).

In this context, consider interests as the aspects that drive people. Be aware though, that these **interests** are hardly ever communicated. Interests can be pure mind stuff, all inside the head of the owner. People’s interests are internal thoughts that they would like or want and may not be communicated nor the same interests as yours. Your **interest** on a particular task or project for example may be that you have a current contract for a specific training tool and the contract is getting ready to expire. You would like to see the new contract awarded to the same contractor and thus your “interest” is to have the contract awarded to the same contractor. On the other hand, your contracting officer representative’s **interest** is moving the action off their desk as quickly as possible. Each of you has different interests and that is ok. Interests may not and do not have to be the same. It is important, however, to seek to understand and convey your interest(s) and theirs.

While interests are what you want or like, expectations are more of how you want it or perceive it should be, approached or completed. **Expectations** are often one-sided communication expressing a

single stakeholder's ideals, standards or perspective. As interests between stakeholders are frequently different, so are expectations. Problems are likely when communication or understanding of key stakeholder expectations is unclear. For example, regarding the contracting officer representative (COR) and your interest in wanting a follow on buy for the training tool from the same contractor, your expectation is that the contract vehicle will be prepared and on your desk for you to approve.

On the other hand, the COR's expectation is that guidance will be forthcoming from you on how to proceed because another contract for a similar training tool was done that way. Each of you has different expectations and may not have realized it because you may not have communicated or explained each other's expectations. Communicating and understanding expectations is important.

Lastly, are "requirements." **Requirements** are a set of statements negotiated and agreed upon by all parties or stakeholders. They can be defined as to what the agreed upon requirement should look like. In the end, while each stakeholder may have their own expectations of how a project or task should be approached, all parties should agree on what it should look like. For stakeholders to agree on requirements they must be communicated clearly and understood by each other. For example, following on with the earlier discussion of the contract for a specific training tool, the requirement you and the COR should agree on is "the contract RFP for the training tool should be prepared by the contracting officer no later than xyz date and be clear, concise and complete to satisfy your needs and be in compliance with the Federal Acquisition Requirements."

To ultimately reach an agreement on a key project or program *requirement* (where both stakeholders can embrace the solution) you must be able to identify and document all their expectations while also understanding your own. It is important to seek to understand, clarify, and confirm interests and expectations.

You need to obtain true insight into the unstated interests that are at the heart of each stakeholders *stated expectations*. Accomplishing this depends heavily upon the nature of the relationship that exists between you and the stakeholder in question. However, given the limited time available in the typical project or program office you do not have the luxury of putting extensive time and effort into a relationship with each and every stakeholder; you have to be at times, selective in your focused relationship building. The next logical step towards reaching agreements on key project or program requirements dictates that you prioritize your stakeholders. Prioritization is really about interpreting how their and your documented *expectations* are moving towards the same goals or outcomes. To undertake this activity you will need to rely upon the use of two tools: a Power Grid and an Involvement Matrix.

Power Grid

The **Power Grid**, highlighted in Figure 1, is the second step in stakeholder analysis and is a useful tool for analyzing the "influence" and "importance" of stakeholders. Step 2 helps you assess the amount of *influence* and *importance* a stakeholder has in relation to your program.

Power Grid

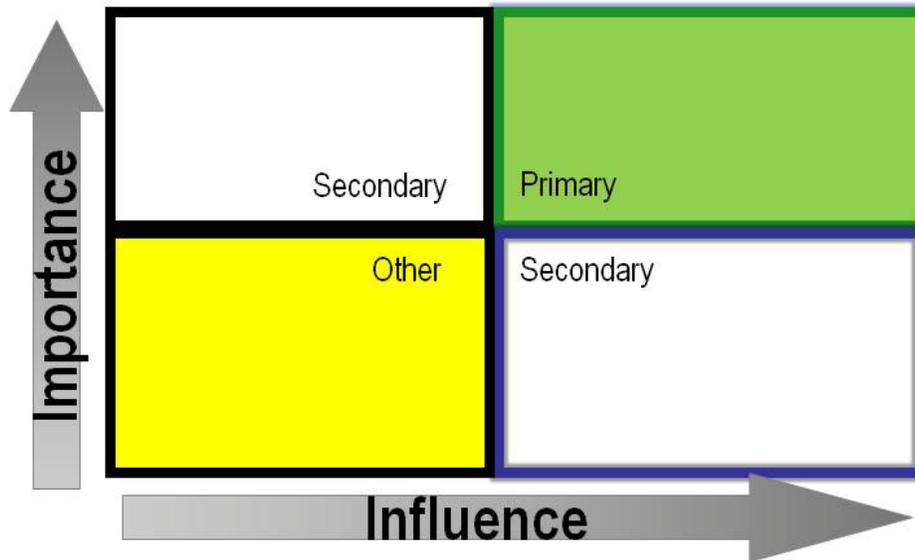


Figure 1: Stakeholder Power Grid

Influence

Influence is defined as the extent to which a stakeholder is able to act on project/program planning or operations and therefore affect project/program outcomes. A simple scoring system is used with the Power Grid to compare stakeholder influence. Low influence is mapped on the left side of the diagram and high influence on the right. Factors likely to lead to higher influence include extent of control over funding and decision making. The more influence the stakeholder has, the higher their placement will be on the Power Grid.

Importance

Importance is defined as the extent to which a stakeholder's interests, expectations and requirements are affected by project/program outcomes. If stakeholders of higher importance are not positively affected then project/program cannot be considered successful. Stakeholder importance is also mapped on the Power Grid as either low or high.

The overall "Power Score" an individual stakeholder receives is based upon our assessment of both their *influence* and *importance*. In Figure 2, three DoD program stakeholders determined to have both high influence and importance are listed in the upper right-hand quadrant labelled "Primary." The lower right hand quadrant labelled "Secondary," reflects two stakeholders with high influence but lower importance from the program manager's perspective.

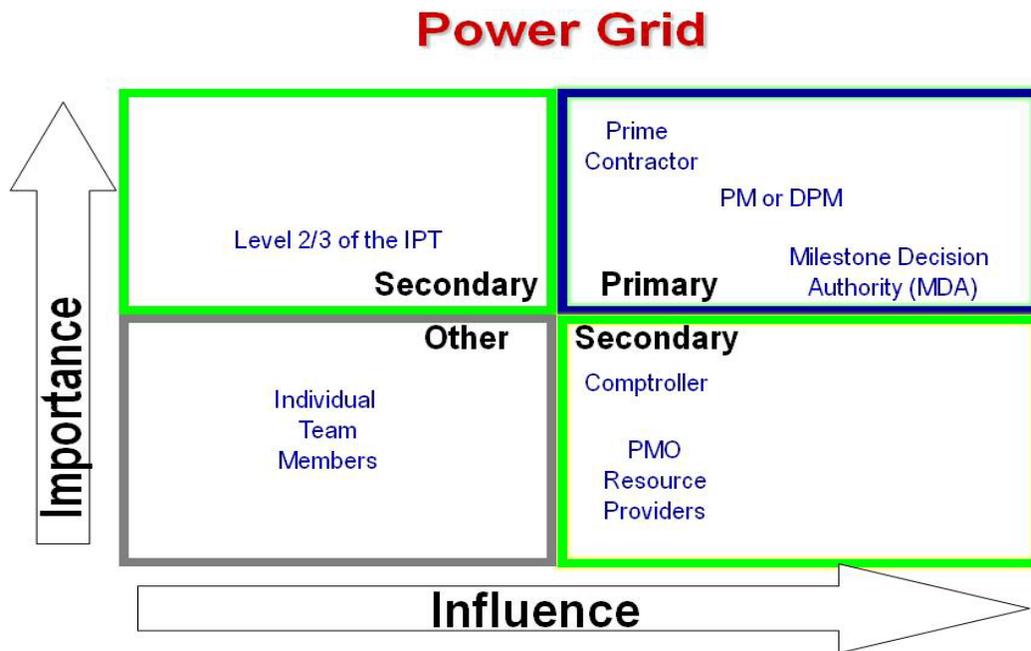


Figure 2: Sample Stakeholder Power Grid for a DoD System

Those we assess as “Primary” stakeholders are the ones we are most interested in engaging with and therefore require us to further assess them for their “Involvement” in the next step of our analysis. It may, however, be necessary to assess some “Secondary” stakeholders because of their high influence or high importance. Although a Secondary stakeholder may have high influence but low importance or high importance but low influence they may be influential to the success of the project/program or task. Distilling the primary and secondary stakeholders to a manageable level is helpful because it takes time and resources—resources that may be limited. Once you have identified the stakeholders that are important and influential to your project/program, the next step is important to understand what level or degree of engagement or commitment is happening or not happening—the involvement matrix.

Involvement Matrix

The **Involvement Matrix**, figure 3, the third step in stakeholder analysis, focuses on assessing the amount of *engagement* and *commitment* that a stakeholder has in relation to our program or project. The four quadrants of the Involvement Matrix are labelled “Advocate (green), Adopting, Aware and Apathetic (yellow).

Involvement Matrix

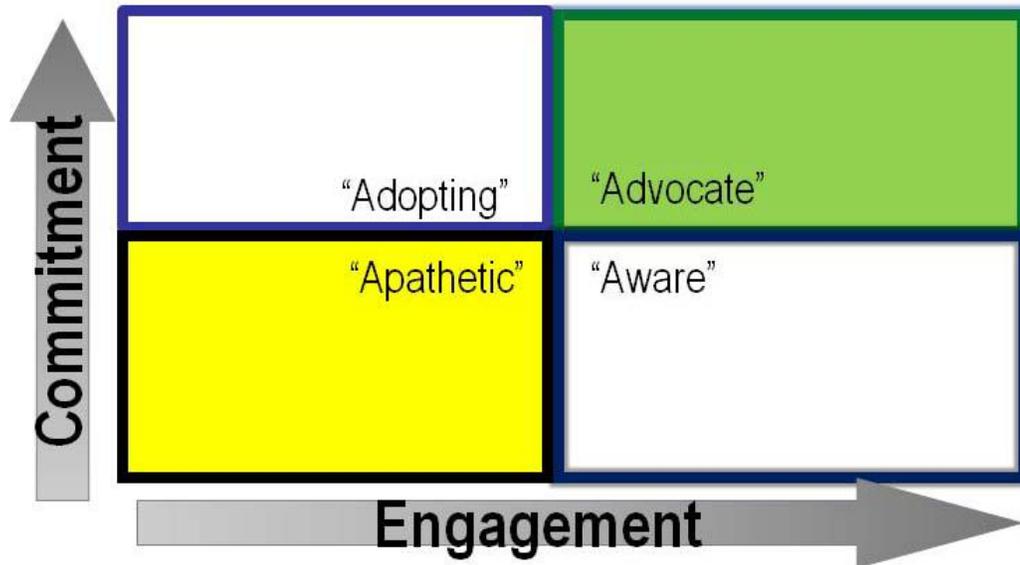


Figure 3: Stakeholder Involvement Matrix

Engagement

The level of stakeholder engagement is mapped on the horizontal scale of the Involvement Matrix. Well-informed stakeholders are plotted on the right-hand side of the matrix, and those that are unaware of the program or project are on the left side. Engagement is a measure of how well the stakeholder understands the challenges the project seeks to tackle and the project's interests, expectations and requirements. In a similar construct to the **Power Grid**, we will score the stakeholder with either a low or high for this variable. A low score signals therefore a lack of understanding or engagement. A high score indicates that the stakeholder is concerned in how the project's outcome will result in effecting their future and thus is informed and understands the issues at stake in the project.

Commitment

The vertical scale of the Involvement Matrix is used to compare how supportive stakeholders are to program or project outcomes. Commitment can be measured in terms of investment of time, money, equipment, facilities or personnel. While a high score reflects strong support (Adopting), a low commitment score can indicate apathy (Apathetic). The stakeholder who is supportive is concerned in how the outcome will result in effecting their future and thus is committed to an investment in the project/program.

The overall "Involvement Score" an individual stakeholder receives is based upon our assessment of both their *engagement* and *commitment*. In the Figure 4 below, those that are assessed low for both variables would be considered "Apathetic". Those who had a low in *engagement* and high in *commitment* would be considered "Adopting". In the opposite case of scoring you would find those stakeholders considered to be "Aware" for stakeholders who are deemed to be high in both variables, they are considered "Advocates" and are key collaborators for the program as a whole. For example,

the three stakeholders who are highly engaged and committed to the program are listed in the upper right-hand quadrant. The Comptroller and Milestone Decision Authority are listed in the lower right-hand quadrant indicating they are aware, but less committed. The lower left-hand quadrant labelled “Apathetic” is blank, since none of the key stakeholders was determined to be low on both engagement and commitment. After analyzing the power, involvement and IERs of each key stakeholder, actions to effectively manage them can be developed to increase their commitment or engagement to the program, which improves the likelihood of success!

Involvement Matrix

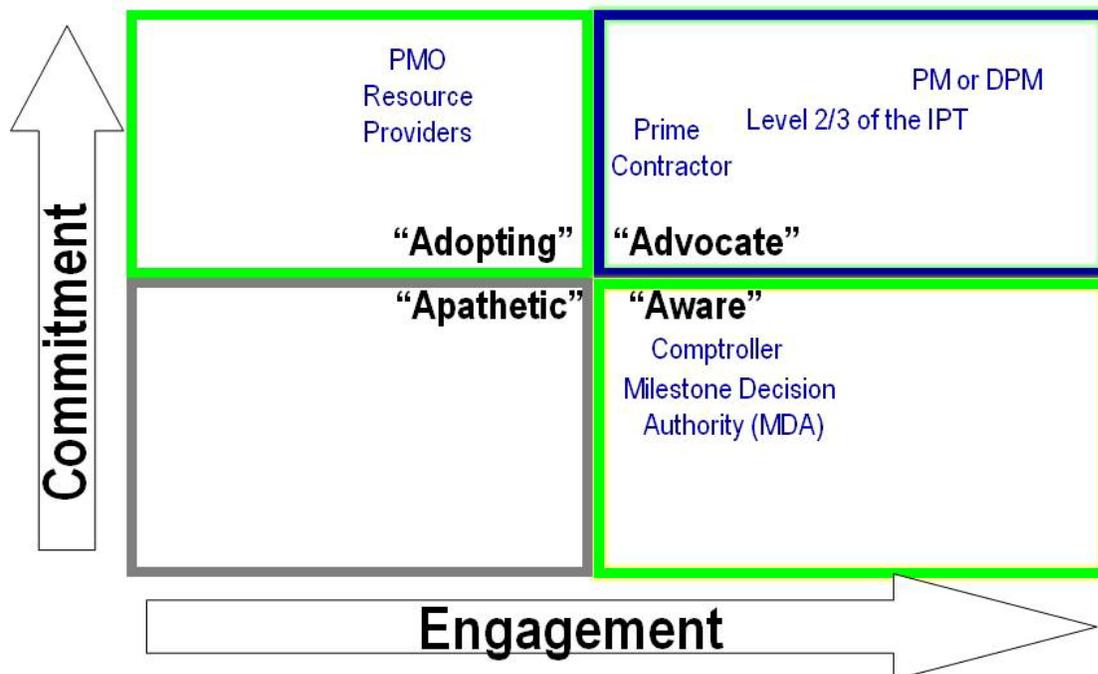


Figure 4: Sample Stakeholder Involvement Matrix for a DoD System

Management Action Strategy

The position of the stakeholder on the **Involvement Matrix** tends to determine their initial and ongoing role in the project/program. At least one (and preferably more) of your “Primary” stakeholders should really champion your project and normally sits in a position of authority. As such, they are “Advocates”. Those stakeholders who were either less engaged or committed to the outcomes of the project/program will be considered either “Adopting” or “Aware”. If they are neither committed nor engaged then they are not involved at all and are “Apathetic”. In these latter three cases then actions or planning should be made to move these stakeholders to the “Advocate” quadrant of the **Involvement Matrix**. It is important to note however, that in some cases, leaving a stakeholder where they are within the **Involvement Matrix** may be the best solution for you and your program. Specific actions need to be planned and executed to make this happen. Greater success will be possible if “primary” stakeholders

are moved to (and kept) Advocates. If this does not occur failure is extremely likely. A note of caution is that while most stakeholders are engaged and committed to the success of your program, project or task and are considered “advocates”, there are some stakeholders who are engaged and committed to the detriment of your program. Those stakeholders who are highly engaged and committed to the detriment of your program would still be identified in the top right area of the involvement matrix but instead of using the term “advocate” they would be labelled as an “adversary”. For a stakeholder who is an adversary, you will want to focus on some actions that will change them.

Having determined their relative involvement positions, the fourth step is to plan out how you are going to manage each stakeholder during the project to ensure they are moved to a “higher” state on the involvement profile. Examples of possible management actions for each quadrant of the Involvement Matrix are highlighted in Figure 5 as Partner, Consult, Inform, and Monitor.

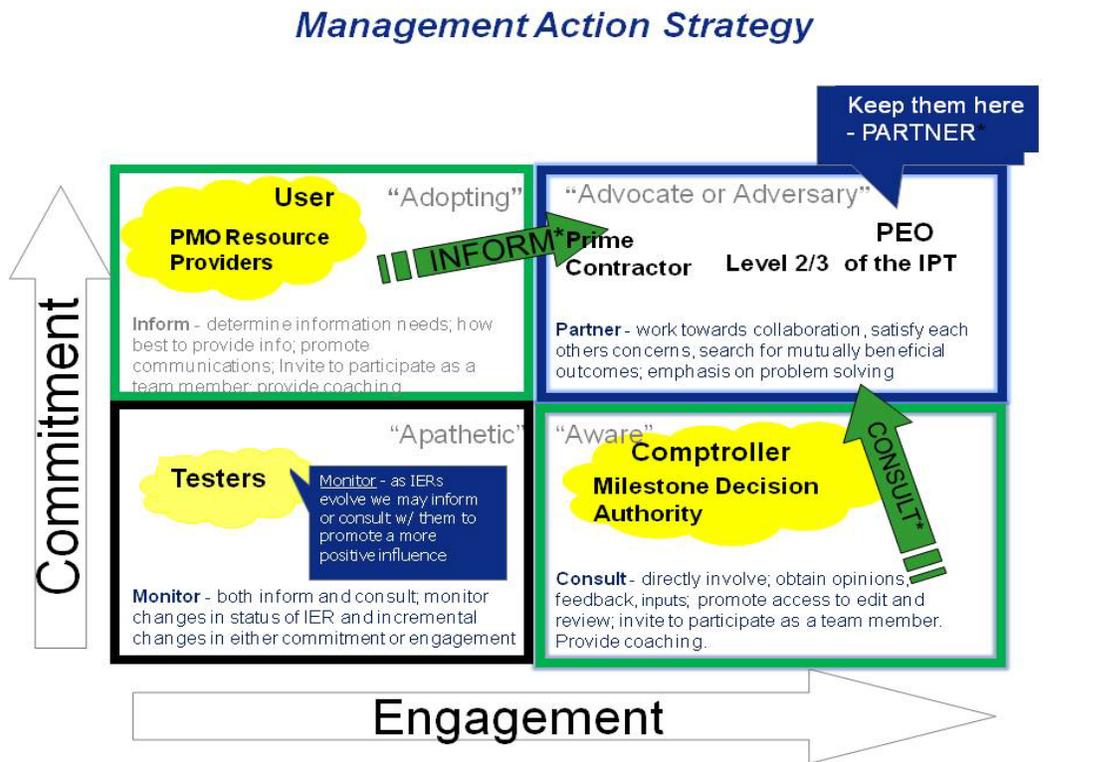


Figure 5: Stakeholder Involvement Matrix with Management Actions

Partner

Key stakeholders (with high influence and importance to project success) are likely to provide the basis of the project ‘coalition of support’, and are potential *partners* in planning and implementation. In the DoD System example, the coalition of support includes the Prime Contractor who is an ideal stakeholder in terms of the power grid and has been placed in the “Advocate” state in the involvement profile. Continued partnering is the best course of action with the Prime Contractor to ensure the continuing success of the project/program.

Conversely, key or secondary stakeholders from the power grid with lower involvement to the project's success like Milestone Decision Authority (MDA) or Comptroller may be 'managed' or acted upon by being consulted. These actions need to be managed and developed to ensure that these primary stakeholders move into the ideal state like the Prime Contractor. .

Consult

A key stakeholder who is aware of your program or project but low on commitment can be a significant risk if not properly managed. To increase the commitment of the MDA, soliciting their opinion or advice prior to major program decisions would be beneficial. The opinions and input of the stakeholder will be actively sought for certain key decisions (and not only those which may affect them directly). Generally, this approach will be appropriate for sponsors with higher engagement but lower commitment (e.g. the Comptroller in our example). As a consultant they would become more committed to the program and move from being just "aware" of the program to being transformed to becoming an "advocate" for the program.

Inform

For key stakeholders who are high on commitment but low on engagement, increasing the quality, quantity or timeliness of information would be helpful to moving them towards being program advocates. The strategy may be to inform them of decisions taken (generally only those which may affect them directly) . Informing a stakeholder that possesses an "adopting" involvement in the program should help transform them into being an "advocate" for the program.

Monitor

Finally, there may well be some stakeholders (generally those considered "Other" on the **Power Grid** or with low engagement and low involvement on the **Involvement Matrix** where the best approach is to 'monitor' their input – to ensure that project resources are not diverted unnecessarily onto keeping them engaged in inputs, decisions and outputs. As their or the programs IERs evolve, we may wish to engage them by informing or consulting with them to promote their influence as a positive aspect of the program. As stated previously, not taking any action for a stakeholder perceived as being "Apathetic" may be the best approach; monitor for changes that would then result in a need for action.

Summary

Understanding key stakeholders is critical for developing effective management strategy. By focusing on the interests, expectations, and requirements (IERs) of important and influential stakeholders, managers can help ensure they are properly committed and engaged. Using analysis tools like the Power Grid and Involvement Matrix and understanding stakeholder IERs can help reduce relationship risks. This management approach increases the probability that programs succeed and warfighter capabilities improve.

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