STAKEHOLDER CONCERNS AND MANAGEMENT PRINCIPLES IN PROJECT MANAGEMENT

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Abstract.
Purpose and aim of the study: *the aim of the paper is to develop principles that project managers should consider when managing the concerns of stakeholders. To achieve this aim, the following tasks have been set: to examine the concept of stakeholder concerns and determine the actions to be taken before implementing stakeholder concern management principles.*
Design/Methodology/Approach: *the monographic and descriptive methods, the logical construction method, the graphical method.*
Main Findings: *the paper examines the concept of stakeholder concerns and highlights the key management principles: responding to weak signals, a joint decision-making process, and information transparency. Based on the research findings, focusing on these solutions can significantly reduce stakeholder concerns. By decreasing the level of these concerns, managing the stakeholder becomes easier, leading to project success. Collaboration with stakeholders is essential for the successful implementation of any project.*
Originality: *the paper proposes the circumstances in which the concept of stakeholder concerns should be used and develops previously unpublished principles for managing stakeholder concerns in project management.*
Implications: *based on the research findings and applying the author`s proposed principles, stakeholder concerns can be significantly reduced, minimizing these concerns facilitates the management of stakeholders and increases the likelihood of project success. The author`s recommendations are relevant for practical project managers and researchers.*

Keywords: *stakeholder concerns management, stakeholder engagement, stakeholder theory.*

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Introduction

Researchers like Cleland (1986), Burgoyne (1999), Freeman (2002), and Dervitsiotis (2003) highlight that stakeholder management is a vital feature of a project manager's responsibilities, as project success relies on numerous individuals, including those not directly under the manager's control. Stakeholder management means defining the project individuals and institutions involved or interested in the project, facilitating proactive management to mitigate stakeholder activities that could negatively influence the project, and supporting the project team in leveraging stakeholder maintenance for project goals (Cleland, 1986; Karlsen, 2008).

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Modern methods of managing stakeholders emphasise the technical and methodical approach. Research by KPMG (2017) revealed that 80% of high-performing companies had devoted stakeholder management procedures (Suvvari & Saxena, 2023).

The specific problem of the study is the great importance of stakeholders in the success of a project and the fact that stakeholders usually have various concerns during the preparation and implementation of the project. Therefore, the aim of the paper is to develop principles that project managers should consider managing the concerns of stakeholders. To achieve this aim, the following tasks have been set: to examine the concept of stakeholder concerns and determine the actions to be taken before implementing stakeholder concern management principles. The study includes a novelty: it proposes the circumstances in which the concept of stakeholder concerns should be used and develops previously unpublished principles for managing stakeholder concerns in project management.

Research methods applied: the paper is based on the monographic and descriptive method to explore the available literature on the research problem, the logical construction method to arrive at conclusions and proposals and the proposed practically applicable principles for the management of the concerns of stakeholders, and the graphical method to discover interrelations, characteristics of these principles.

Research period: 2022-2024

Hypothesis: focusing on stakeholder concern management principles can significantly reduce stakeholder concerns.

Research results and discussion

The concept of stakeholder concerns

Project management is a coordinated set of activities assumed to realise positive changes within a limited resource (including time), generally connecting unique tasks with specific technical, financial and time resources. Project success cannot be realised without analysing key stakeholders' concerns. If not doing so much will increase project costs. Project management is a mutual and traditional idea for resolving numerous tasks. These are naturally one-time tasks with defined time, technical and financial objectives. Success in a project cannot be achieved without analysing the corners of key stakeholders. The lack of such analysis can lead to higher project costs.

Every project may encounter stakeholder concerns - situations where stakeholders are worried that certain project management decisions or actions will negatively impact their circumstances or well-being, and they are

prepared to oppose the project, even though this negative impact has not yet manifested. In the management literature, only specific, critical aspects of stakeholder concerns are addressed as management problems. As a result, the development of tools for managing stakeholder concerns in projects has been hindered. This study helps to fill this gap and outlines the key principles of stakeholder concern management in project management. A previous study on stakeholders has shaped numerous definitions in the academic works. For example, Cleland (1986) defines project stakeholders as "individuals and institutions that share a stake or an interest in the project." Stakeholders can be measured as part of a communication system that can affect the project (Eden & Ackermann, 1998). Each stakeholder classically has different interests and priorities, which can generate conflicts or inconsistencies with the project (Harrison & John, 1996; Karlsen, 2008).

If stakeholder management in a project is not sufficiently confirmed, it can lead to surprizing difficulties and doubts within the project. For example, a clear and complete meaning of project success and failure may not be recognised (Meredith et al., 2000). As an outcome, the project manager may attempt to realize goals that were never planned by the stakeholders (Karlsen, 2002).

One of the cornerstones of the stakeholder concept is the framework developed by American sociologist Arthur Bentley in 1908 regarding political groups and government employees, which was later applied to commercial organizations as well (Bentley, 1908). The concept of stakeholders was developed by Freeman (1984). He defined stakeholders as "any group or individual who can affect or is affected by the achievement of an organization's objectives" (Freeman, 1984). As illustrated Elias with co-authors, this idea has grown into four key areas: corporate planning, corporate social responsibility, organizational theory, and systems theory (Elias et al., 2002). Through the status of this new viewpoint, stakeholder management theory has been debated using instrumental, descriptive, and normative methodologies (Jones, 1995).

Juliano (1995) describes stakeholders as persons, groups, or teams that are influenced by the project. The PMBOK Guide (1996) describes stakeholders as individuals and organizations that are dynamically involved in the project or whose interests may be positively or negatively affected because of project or successful project achievement (Karlsen, 2002).

The appearance of the stakeholder concept in project management relates to the understanding that a project relying solely on project management interests cannot effectively respond to the possibility and nature of changes in the project situation. The fundamental principle of this concept is that the interests of stakeholders must be considered. Managers who can reflect on the interests of numerous stakeholders are able to

warrant project success and accomplish aims. In contrast, those who cannot do so endanger project successful implementation.

Identifying the stakeholders and their concerns is one of main jobs to be done by the project manager. The stakeholders are measured as more important, as they participate in the decision-making process and directly benefit from the project (Ray & Shastri, 2023).

It should also be noted that an increase in the number of stakeholders can significantly increase project complexity. Each of these parties typically has its own interests and concerns within the project, which can lead to different priorities and conflicts (Karlsen, 2002).

Freeman and his co-authors support the relationship of communities to stakeholder theory (Freeman, 1984) and suggest that meaningful engagement with affected communities can be achieved. Community is a social process of human interaction and can be better understood through its dimensions in relation to a particular approach or theory (Freeman & Menghwar, 2024). Such an approach allows for meaningful engagement of communities - stakeholders - in project implementation and ensures the success of the project.

The author of this research suggests using the term “stakeholder concerns” in circumstances in which stakeholders are fearful that specific project management actions or decisions will negatively affect their environments or well-being and prepared to face the operation of the project, although this negative impact has not happened however established itself. For example, a decision to disregard the principles of socially responsible procurement for a project, to neglect The New European Bauhaus requirements in a building renovation project, to avoid conducting public consultation activities, or a failure to clarify to the public the rapid increase in funding and time consumption required for project implementation, etc.

Concerns prompt stakeholders to take counteractions, meaning they undertake various measures aimed at disrupting the implementation of planned project decisions. For example, public organizations may publicly condemn the actions of the project management, etc. Managing stakeholder concerns becomes particularly important in the context of the project management's relationships with the local community and public organizations. A significant characteristic of stakeholder concerns is their ability to evolve over time. Initially, concerns may be expressed by individual people (such as representatives of the local community or public organizations). However, over time, different stakeholders may begin to express these concerns. Eventually, a point is reached where heightened public attention arises. A timely failure to identify or address the changing expectations of stakeholders can be considered a strategic risk that requires

special attention (Frynas, 2005). Paying attention to the concerns of key stakeholders and responding to them is essential at all stages of project planning and implementation, as it significantly affects the successful progression of the project. An approach that focuses on stakeholder concerns is critically important because it must be responsive to these concerns. A project can only succeed with the support and advocacy of stakeholders.

Reviewing the available research on stakeholder concerns, the following studies stand out. Smith et al. (2017), along with co-authors, developed criteria to identify key stakeholder concerns regarding coastal resource protection and analysed them. The researchers utilized a multi-level decision-making method to analyse policies that protect coastal resources, which could yield greater social, economic, and ecological benefits if potential collaboration and compromise effects are considered. A total of 19 indicators that encompass stakeholder concerns were identified.

Karlsen (2002) reflects in his study a survey of project managers conducted in Norway to gather their opinions on stakeholder management. The study's outcomes specify that more power is needed in developing stakeholder management approaches. Project clients and end-users are considered significantly more important than other stakeholders. Engaging with these parties is crucial for project success, as clients define and fund the project, while end-users determine the usefulness of the project outcomes. Stakeholder concerns create problems and uncertainty in project execution. The respondents pointed to several reasons, such as "decisions were not made," "unexpected specification changes," "the client focused too much on details," "the stakeholders did not understand their role in the project," or "the end-user did not know their needs." These observations highlight the importance of communication with stakeholders during the project. Interestingly, the analysis did not reveal any specific stakeholder that caused more problems, concerns, or uncertainty than others. The study also demonstrates that more effort is required to improve stakeholder management strategies and plan development (Karlsen, 2002). It particularly emphasizes the need for a new vision.

A collective of authors, analysing stakeholder concerns in various construction project phases using social network analysis (Dadpour et al., 2019), identified strategies to reduce stakeholder concerns. The authors suggest placing greater emphasis on addressing environmental issues and mitigating the influence of political factors on the project. Additionally, they indicate that experienced contractors and consultants should be engaged in project implementation based on their expertise, and that accurate project timelines and cost estimates are essential.

Principles of stakeholder concern management

To effectively apply the values of stakeholder concern management, the first step is to identify and examine the stakeholders. By identifying the key stakeholders, we can distinguish their needs, prospects, concerns, and possible forms of resistance. Stakeholder analysis helps map the different groups, determining their influence as well as their preferred communication channels and styles. This aids in tailoring communication and engagement strategies for each group and addressing specific concerns.

The second step is to create a clear and compelling vision and narrative for the project, explaining the expected benefits and opportunities, as well as the role of stakeholders in the project. The narrative should align with the organization's values and contain both rational and emotional aspects. It must be communicated to stakeholders through various information channels tailored to each stakeholder group.

The third step is to engage and empower stakeholders by giving them a sense of control and responsibility. This can be achieved through communication and collaborative action planning. By involving and empowering stakeholders, they can become more motivated to support the project.

The fourth step is to report concerns that may arise from stakeholders. Concerns can be triggered by various factors, such as loss of control or trust, insufficient information or communication, conflicting interests, or values, among others. It is likewise significant to screen and measure the level of stakeholder concerns, familiarising them with communication plans and strategies conferring to the actual condition.

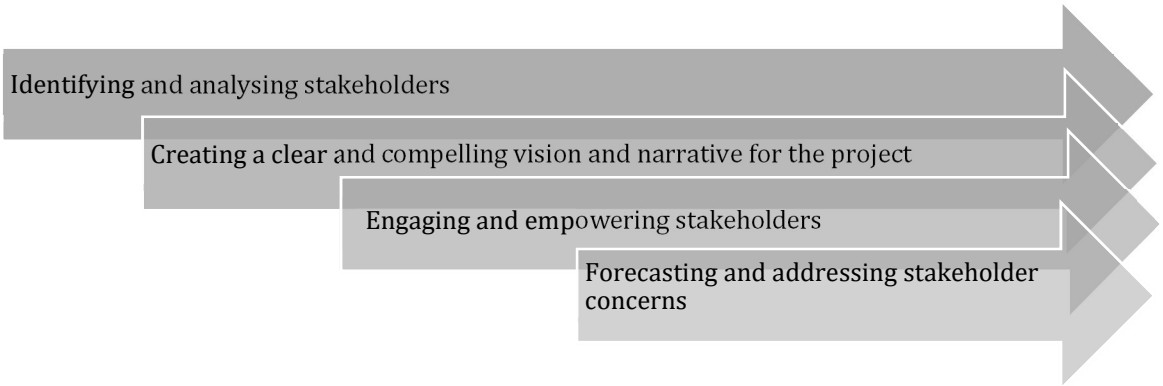

Fig.1 Actions to take before implementing stakeholder concern management principles (compiled by the author)

Stakeholder concerns can develop and increase over time. The motive why only a small group of people (or individual stakeholders) may direct concerns at an assumed instant is that the project's activities have not yet

developed obvious to the wider community. The project management must respond to these concerns before they escalate to a significant level of conflict. To prevent or mitigate stakeholder concerns, the author suggests considering the following principles of concern management.

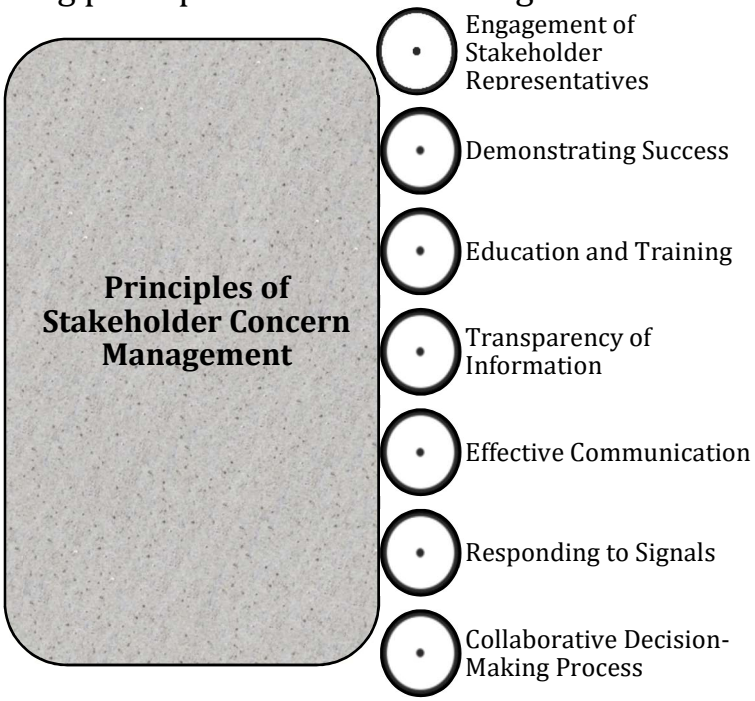

Fig.2 Principles of stakeholder concern management
(compiled by the author)

Engagement of stakeholder representatives

Engagement of stakeholders, based on the significance of identified stakeholders, requires appropriate methods for each stakeholder's involvement, according to Reed (2008). The methods must be chosen and tailored to the context of decision-making, considering the objectives, the type of participants, and the appropriate level of engagement (Reed, 2008). Identified stakeholders can be involved in various ways, as there are different methods for engaging stakeholders. While it is crucial to involve all stakeholders to collectively enhance understanding and identify threats in the sector, Allen et al. (2013) emphasized that the types of engagement should consider the context of the stakeholders, such as environmental and sociocultural factors, considering any complexities and potential obstacles that may affect their level of engagement. Thus, Nordstrom et al. (2016) concluded that appropriate engagement of different stakeholders would create a shared understanding of the anticipated outcomes (Osobajo, et al., 2021).

Demonstrating success

Whenever possible, it is important to share stories that illustrate the expected benefits and improvements that engaged stakeholders can anticipate. While storytelling is often considered less valuable in organizations compared with rigorous forms of knowledge that can be classified, categorized, calculated, and analysed, it is a traditional way to convey knowledge and culture (Sole & Wilson, 2002). Finnish researchers Eskola and Hundal (2021), referencing other authors, specify that before organizational data were created through a non-stop dialogue between tacit and explicit knowledge (Nonaka, 1994). However, moving into the future, we are entering an era of knowledge management where the attention on the change of tacit and explicit knowledge is no longer sufficient. Instead, the main importance is placed on the management of narratives or stories (Snowden, 2002; Eskola & Hundal, 2021).

Education and training

Sometimes, stakeholder concerns arise from a lack of knowledge. Providing education and training can assist these stakeholders. Analysing the training needs of stakeholders is an important step toward the successful implementation of the project. It is crucial to explore the training topics and determine which methodologies will be the most effective. This is essential in the planning process, as the project's success largely depends on whether stakeholders are equipped with the necessary skills, information, and insights to mitigate their concerns.

Transparency of information

The lack of information transparency contributes to the spread of various negative suspicions about the project (Claasen & Roloff, 2012). Therefore, stakeholder concerns will persist even if the project is secure. Information transparency eliminates the opportunity for rumours and doubts about the project to proliferate. By ensuring information transparency, it becomes more challenging for various speculations regarding the potential negative impacts of project management decisions or actions to arise. It is important to share the reasons behind the decisions made, the expected benefits, and the potential challenges. Uncertainty can increase resistance, as stakeholders may fill information gaps with assumptions. An open and clear statement endorses a better consideration of the situation.

Effective communication

Effective communication with stakeholders is a prerequisite for the successful implementation of a project. A project will succeed only if the requirements and needs of the involved parties are met, which can only be understood through effective communication. Each group of stakeholders has its own unique perspectives and expectations, making it essential to tailor the communication strategy to address their specific concerns. Active

listening and empathy are important components of effective communication (PMBOK Guide) (2021). Different groups of stakeholders may prefer various communication channels. By adapting communication channels to stakeholders' preferences, information becomes more accessible and easier to comprehend. Freeman et al. (2010) emphasize that normative stakeholder theory asserts that managers must maintain support from stakeholder groups and that organizations should have a place where stakeholders' interests are maximized in the long term. However, Ihlen (2012) notes that communication can be both a process and a result (verbal or written).

It is significant that it is impossible not to connect with stakeholders. Silence can also be observed as a form of communication. Communication with stakeholders has an ethical possibility, as it is necessary to guarantee their participation. In principle, the stakeholder concept indicates that relationships with one's social environment are important, and these relationships have both ethical and strategic implications (Ihlen, 2012).

Responding to signals

It is essential to respond to and influence the concerns of stakeholders that do not have an obvious impact. Stakeholders without direct leverage to affect the project can unite among themselves, thereby accumulating influence against the project. A typical example is the coalition of representatives from local communities or joint actions by multiple public organizations. By working together, stakeholders can significantly impact the course and outcome of project implementation. The project management must address concerns before they reach a noticeable conflict stage. Stakeholders without direct leverage may seek assistance from other advocates, such as public organizations, interest groups like the media, and/or other influential organizations like political parties and financial institutions. Establishing a continuous feedback exchange system with stakeholders can regularly gather information about their concerns and timely obtain data on emerging issues. Such regular engagement and communication demonstrate a commitment to responding to stakeholder concerns.

Collaborative decision-making process

A primary cause of stakeholder concerns is that they have not voluntarily agreed to the negative impact of decisions or actions. In a situation of concern, stakeholders clearly express this reason: "No one listened to us." According to the stakeholder classification proposed by M. Clarkson (Clarkson, 1994), concerned stakeholders consider themselves to be forced risk bearers who must cope with the decisions or actions of the organization.

Conclusions and suggestions

Stakeholder management is a critical component of project management, as stakeholder concerns shift thought a project`s lifecycle. Effective stakeholder management involves clearly defining the project for individuals and institutions engaged or interested in the project, recognizing that a project is sensitive to stakeholder actions and decisions. One of the essential steps in stakeholder management is addressing their concerns and planning responses.

The paper examines the concept of stakeholder concerns and highlights the key management principles: responding to weak signals, a joint decision-making process, and information transparency. Based on the research findings, focusing on these solutions can significantly reduce stakeholder concerns. By decreasing the level of these concerns, managing the stakeholder network becomes easier, leading to project success. Collaboration with stakeholders is essential for the successful implementation of any project.

If the project management provides stakeholders - who depend on it or are depended upon - the right to be heard and commits to responding to their concerns, the organization stands to gain. This approach allows the project to strengthen its legitimacy and, through dialogue with stakeholders, confirm or recreate shared values that positively affect the project's reputation.

Collaboration with stakeholders enables them to achieve a level of sustainable development that benefits both the stakeholders and society. Such collaboration, based on stakeholder knowledge, helps to determine appropriate strategic development directions for the project. Effective use of the developed principles allows for an understanding and analysis of their needs, expectations, and opinions; timely identifying potential difficulties and opportunities from the stakeholders' perspective; and pinpointing the most significant issues causing concern among the stakeholders.

The author of this research suggests the circumstances for using the term "stakeholder concerns". This is the theoretical contribution of the paper. The principles developed by the author have practical significance because they are applicable to practical project management.

Considering that it has been proven that the success of a project depends on the involvement of stakeholders in the preparation and implementation of the project (Cleland (1986), Burgoyne (1999), Freeman (2002), Dervitsiotis (2003)), the paper emphasizes that stakeholders may have concerns that have a significant impact on the implementation of the project, and the developed stakeholder concern management principles ensure adequate management of concerns. Thus, the research hypothesis - focusing

on stakeholder concern management principles can significantly reduce stakeholder concerns – has been proven.

Overall, it can be concluded that overcoming stakeholder concerns requires a thoughtful and diverse approach. Actively listening, tailoring communication, offering education and training, implementing, and maintaining a continuous feedback cycle, highlighting success stories, and involving stakeholder representatives can sustain stakeholder support and eliminate or reduce stakeholder concerns.

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