



# Stakeholder Analysis

The current focus on value-based activity promotes the importance of conducting business in a way that creates and increases value for all stakeholders (not just shareholders). However, this can be difficult to accomplish when the needs of stakeholders vary so widely. Furthermore, meeting the needs of one stakeholder group can be difficult enough never mind meeting the needs of multiple stakeholders. In order to satisfy stakeholders for any organisation or project efficiently and effectively, an organisation or project team needs to not just identify all relevant stakeholders (no mean feat in itself) but also to deal with them appropriately.

This article explores some basic techniques for identifying and deciding how to manage stakeholders. Before moving onto this it is useful to first consider who stakeholders are and why they are important.

## Who are stakeholders?

Quite simply, a stakeholder is a person, or group, who affects or is affected by an organisation or project. So whilst the owners of a business are stakeholders so

are its customers, employees, suppliers, neighbours, interest groups, local community etc. Stakeholders exist at various levels – from organisational level right down to individual project level.



### Why are stakeholders important?

The success of a strategy is measured by the extent to which stakeholder needs are met and stakeholders are satisfied. Satisfying key stakeholder needs is vital for the short term and long term success of any business. For example, a business that does not meet customer needs will cease to exist in the long term, a government that does not satisfy the needs of its citizens will lose power eventually.

### Why is stakeholder analysis important?

Stakeholder analysis is important because it acknowledges the existence of a range of stakeholders and recognises that some stakeholders are more important than others and the way they are treated needs to be adjusted accordingly. Stakeholder analysis provides a framework that will assist the organisation to develop strategies that will optimise support and reduce risk. In addition, stakeholder analysis can identify sources of influence as well as conflicts of interest.

Organisations and project teams need to decide how to prioritise their efforts in order to achieve objectives. In order to do this it is necessary to identify not only stakeholders but also 'key' stakeholders – that is, those stakeholders who are most affected by, or have most effect on the organisation or project and those who need to be engaged. This is where stakeholder analysis comes in.

As the world becomes smaller and new organisations consider the 'world' to be their marketplace, there is the potential for an increasing number of stakeholders to be affected by, or have an effect on, organisations and projects. Relationships are becoming increasingly complex and there is a growing need for transparency in business dealings (and motivations). Organisations are required to be accountable for their actions and the pressure to demonstrate corporate social responsibility is strong. Stakeholder analysis affords a business the opportunity to explore the extensive stakeholder network and put the findings into context. Even as an



awareness building exercise it is valuable. There are numerous stakeholder analysis techniques but this article 'starts at the beginning' with basic stakeholder analysis before moving onto more sophisticated techniques such as the power versus interest grid.

### How to identify your stakeholders? Basic stakeholder analysis

As described in Bryson (1995: 71-5), the simplest way to identify stakeholders is to hold workshops/focus groups with employees and employ brainstorming

techniques. The aim of the groups is to come up with a list of stakeholders – be they individuals or groups. This is most effective if a combination of staff attend the sessions from various departments across the organisation, since it is vital to try and gather this information from as wide a range of viewpoints as possible to ensure the list is extensive. The comprehensive list needs to include all stakeholders regardless of whether their involvement is strong or weak, positive or negative, direct or indirect. Focus groups can be divided into smaller groups to work on this, before reconvening to discuss their

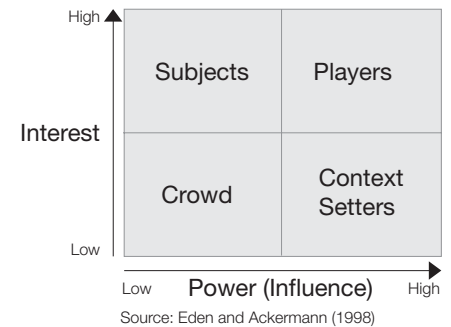


dots as quick markers of performance. The next step is to list what could be done quickly to satisfy each stakeholder before noting any longer term issues.

If practical (depending on the number of stakeholders and number of participants in the group), it is worth considering adding further detail such as how each stakeholder influences the organisation, what the organisation requires from the stakeholder and ranking the stakeholders based on their importance to the organisation.

It is worth bearing in mind that the list of stakeholders may be very long – it is not unusual for 100 plus stakeholders to be identified. Therefore, before embarking on this exercise, it is sensible to define, and agree the degree of detail that is going to be gathered. For instance, will it be ‘customers’ in general, by type or by name? Much will depend on the extent to which customers vary. Some businesses may have a wider range of customer types than others, each with unique requirements.

greater insight into the role they play and, accordingly, how they need to be treated. Some stakeholders are more important than others. These key stakeholders are those who are most affected by and have most effect on the organisation or the project.



The power versus interest grid, considers the  
 1) Stakeholders' interest in the project  
 2) Stakeholders' power to affect the project

A practical way to compile the power versus interest grid is to create a giant grid on the wall using four sheets of flip chart paper. Alternatively, a wipe board or large flat surface can be used. Using the list of stakeholders created earlier, write the



findings. In theory, there is no reason why face-to-face techniques or telephone interviews cannot also be used to gather this information.

There are a number of ways this information can be used but Bryson suggests that the groups write the name of each stakeholder at top of a sheet of paper. On each sheet, list the requirements and/or expectations of the stakeholder. Beside each requirement indicate, from the stakeholder's point of view, how well you feel needs are being met. Bryson suggests using red, yellow or green sticky

In preparation for the next stage, the group need to write the name of each stakeholder on the top of a Post-It note. (A large size Post-It works best). These notes are going to be used to create a Power versus Interest grid (see below).

**Power versus interest grid**

Once the list of stakeholders has been compiled the next stage is to create a power versus interest grid (as recommended by Eden and Ackermann, 1998). The purpose of the grid is to categorise the stakeholders in a way that provides

name of each stakeholder on a Post-It note. There is no reason why this can't be tackled by creating small working groups each writing labels for a handful of stakeholders. Once the labels are ready, the facilitator of the group guided by participants, needs to position each label in the relevant quadrant depending on the degree of interest and power the stakeholder possesses (high or low). The group, who can openly discuss positioning depending on their views, will decide the final position of the label within each quadrant.



**Stakeholder Power**

When deciding on the degree of power a stakeholder has over a project, the major considerations will be whether the stakeholder has the power to control decisions, facilitate implementation and/or affect the project negatively. It may be direct power (e.g. over budgets) or indirect power (e.g. ability to coerce or persuade others). The power a stakeholder holds may depend on formal hierarchy, authority of leadership, control of strategic resources, possession of specialist knowledge and/or negotiating position in relation to other stakeholders.

**Stakeholder Interest**

For the purpose of stakeholder analysis, interest is not a measure of curiosity; it is the degree to which a project's success depends on satisfying stakeholders' needs and interests. (For instance, a project designed to reduce the number of traffic accidents is, to a high degree, in the public's interest.) The factors that might be taken into account when determining interest are the extent to which the problems of specific stakeholders are addressed or alleviated and the extent to which success is defined by meeting the stakeholders' needs or expectations.

**Power-Interest Quadrants**

**Player**

Players have both interest in, and great power over the project. It is vital that the organisation develops good working relationships with the stakeholders in this quadrant. It may be appropriate to develop a partnership approach, this is especially important in the early stages of a project. Examples of players are typically owners, shareholders, senior management etc.

**Subject**

Subjects have an interest in the project, but little power. Subjects therefore constitute a risk. It is important that these stakeholders' needs are identified and protected since, by definition, the project cannot be regarded a success if it fails to meet their needs. For instance, if the project is to design a range of women's clothing, women themselves may have no power over the design process but if their needs are not taken into consideration they can prevent the project from being a success by failing to purchase the finished items.

**Context Setter**

Context setters have power over the project but little direct interest. The interests of these stakeholders are not high priority for this project and they may therefore present significant risk to progress or implementation. A proactive approach to communication – whilst carefully managing and monitoring this group is advised. In some cases, banks may be considered context setters. Whilst they may provide vital finance for a project, their interest in some cases is unlikely to extend beyond that. However, the power they yield is high – it is in their control whether the project goes ahead or not.

**Crowd**

Crowds have little power or interest in the project. These stakeholders are likely to require limited monitoring and evaluation. The favoured strategy will be to keep them at arms length, at minimal resource cost to the project.

The final position of the stakeholder on the grid indicates how the individual or group is best treated and the extent to which their

views should be considered when developing strategy. Seeing all stakeholders together on one chart is useful for identifying natural groupings and commonalities as well as stimulating discussion and debate amongst group participants.

**Stakeholder Dynamics**

To extend the usefulness of the power versus interest grid, the next step is to consider the relationship between stakeholders and how they influence one another. Again, working within the group setting, discuss which relationships are important. Using a pencil, draw lines on the power versus interest grid, from one stakeholder to another, to suggest the lines of influence. Use an arrow to indicate the direction of influence. Again, use the resulting diagram as a catalyst for discussion. This chart will help indicate who the most influential stakeholders are and whom they influence.

Finally, stakeholders do not always behave (or react) as predicted and this can have an effect on their position on the grid. Also, the economy is changing rapidly and, as a result, the shift in balance between stakeholder power and interest is also subject to change. It is wise to review the power versus interest grid periodically to ensure the focus remains relevant. **S**

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