



# CONCEPTUAL STAKEHOLDER THEORY IN PROJECT MANAGEMENT

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Stakeholder management is an important part of management notion particularly in project management today. In recent years, the concept of stakeholder grows comprehensively among academics and professionals. Despite the widespread stakeholder management, the theory is not straightforward to understand and apply. One of the reasons is the number of theories in literature. Literature reviews reveal the following as stakeholder management theories: normative, instrumental, descriptive, convergent stakeholder and social science stakeholder theories. The research employs existing literature to develop a contemporary understanding of stakeholder management theory of stakeholder management. This paper contributes to the stakeholder management theory by presenting the new concept of stakeholder management theory using two cultures (Western and Chinese cultures in Africa). These management approaches can be classified as Western and Chinese models. The Western model is contractual by nature, while the Chinese model is characterized by informality (guanxi). The new stakeholder management theory called “Accustom theory”. The new stakeholder management theory developed – “Accustom theory” – had a lot to do with the stakeholder management in project management. It deals with hard skills, soft skills, and the power structure skills. This paper contributes to stakeholder management theory by presenting accustom theory as a new perspective of stakeholder management theory. The new theory aims to improve the practice of project management by presenting how formality, participation and communication levels in projects improve stakeholders’ satisfaction.

*Keywords:* Leadership, Culture, Influence, Decision making, Construction management.

## 1 INTRODUCTION

Stakeholder management is a prominent element of management practice. In recent years, the concept of stakeholder has achieved widespread attention among academics and managers. In Project Management, stakeholder management has evolved among scholars and professionals over the decades. Friedman and Miles (2006), and Freeman *et al.* (2018) argue that stakeholders appear to be more knowledgeable about project management than in the past. With the increase of stakeholders understanding of their role on the project, an appropriate approach is required to management them. Project Management Body of Knowledge (PMI 2013) has added project stakeholder management as a new project management knowledge area. This is to help the Project Manager in managing projects to manage stakeholders’ satisfaction. However, there is still confusion and miss understanding around stakeholder theory. There is a question around stakeholder management theory (What is stakeholder theory?). This paper attempts to make a

contribution to stakeholder management theory by expanding the current theory and presenting the conceptual theory developed using two cultures (Western and Chinese cultures in Africa). These management approaches can be broadly classified as Western and Chinese models (Wembe 2016). The Western model is contractual by nature, while the Chinese model is characterized by informality (*guanxi*).

According to Stawicki *et al.* (2007), a Chinese approach to stakeholder management is based on three pillars embedded in the philosophy of Confucianism, Taoism, and Buddhism. These three approaches also reflect the plan-do-check-act circle: Confucianism – how to make plans and how to manage; Taoism – how to act in accordance with nature; Buddhism – how to review everything. In contrast, Western management philosophy and approach is based on thoughts and beliefs deeply rooted in Western civilization which is closely connected with rules and law. Therefore, the legal contract is the key to doing business (Stawicki *et al.* 2007). Chinese Project Managers (PMs) pay greater attention to maintaining personal relationships within the project stakeholders, and to group harmony and lasting relationships when resolving conflicts than Western project managers. For Chinese PMs, tasks can only be accomplished if a moral and close relationship within the group is achieved (see Table 1). Therefore, Chinese performance is measured morally, whereas Western performance is measured on a task-based platform. Both approaches to project management have their advantages (Chen and Partington 2003, Stawicki *et al.* 2007).

Table 1. Comparison of Chinese and Western management approach.

Chinese approach	Western approach
Collectivism	Individualism
Large power distance	Small power distance
Strong uncertainty avoidance	Weak uncertainty avoidance
Long-term orientation	Short-term orientation, Inner-directed
Outer-directed	Inner-directed
Relationship	Contractual
Conservatism, the tension between hierarchy and harmony	Autonomy, the tension between mastery and egalitarian commitment/ harmony

## 1.1 Stakeholder Management

The purpose of this paper is to attempt to deal with conflicting opinions on stakeholder management theory. Stakeholder theory is timely, yet young; it is controversial, whilst at the same time important (Laplume *et al.* 2008). It is timely because of the emergence of formal organizations as the dominant institutions of our time, increasing reports of ethical misconducts, particularly issues around the harmful impacts of corporate negligence with regards to the natural environment. It is young because empirical validity is yet to be established on several of its key propositions (e.g., Jones 1995). Stakeholder theory is also controversial because it questions the conventional assumption that the pursuit of profits is the preeminent management concern. Jensen (2002) identifies profit-making as the “single-valued objective” of a corporation. It is also important because stakeholder theory seeks to address the often-overlooked sociological question of how organizations affect society (Hinings and Greenwood 2003, Stern and Barley 1995).

The origins of stakeholder management theory come from the field of business and strategic management theory. Other scholars since Freeman (1984) have further developed multiple theories of stakeholder management, although most of these theories are somewhat confusing.

## 2 THEORY OF STAKEHOLDER MANAGEMENT

There exists extensive literature on the topic of stakeholder management research, but the theories are not well developed. This paper presents a conceptual stakeholder management theory developed by Wembe (2016), using two cultures (Western and Chinese cultures in Africa), which derive from refutable propositions for empirical testing.

Extensive discussion of stakeholder theory has, to date, mainly applied to the normative and instrumental perspectives (Donaldson and Preston 1995, Jones 1995, Jones and Wicks 1999, Jawahar and McLaughlin 2001, Mellahi and Wood 2003, Butterfield *et al.* 2004). Consequently, the descriptive aspects of stakeholder theory have been largely neglected. Egels-Zanden and Sandberg (2010) claim that the tendency is at least partly related to Donaldson and Preston's (1995) framing of normative stakeholder theory as the core interpretation of the theory (Berman *et al.* 1999). Freeman (1999) and Kaler (2003) have criticized the separation of these three aspects into distinct parts. However, Donaldson and Preston (1995) argue that there is a good reason to separate the theory into three distinct parts. This taxonomy of normative, instrumental and descriptive stakeholder theory shadows the theory with a CSR understanding.

Some researchers have combined Donaldson and Preston's (1995) normative and instrumental theory to develop other theories, including Jones and Wicks (1999) and Gibson (2000). Jones and Wicks (1999) developed what they called "convergent stakeholder theory". Convergent stakeholder theory is descriptive and instrumental, but it is more fundamentally normative. Stakeholders are identified by their interests and all stakeholder interests are intrinsically valuable. The convergent stakeholder theory was dismissed as unsound by Freeman (1999); we do not need more theories that converge but more narratives that are divergent – that shows us different but useful ways to understand organizations in stakeholder terms. Next, social science stakeholder theory developed by Gibson (2000) focuses on the concepts of justice, equity, and social rights having a major impact on the way that stakeholders exert moral reason over project development or change initiatives. Bourne and Walker (2006) use three different stakeholder theories to develop their tools. They use social science stakeholder theory by Gibson (2000), instrumental stakeholder theory developed by Donaldson and Preston (1995), and convergent stakeholder theory by Jones and Wicks (1999). However, the use of these three theories is a repetition of the same theories, because social science stakeholder theory and convergent stakeholder theory are a combination of normative and instrumental theory by Donaldson and Preston (1995).

It is generally accepted that stakeholders are not product, liability, or service. Stakeholders are people and groups of people whom PMs must manage during the life cycle of the project (Freeman 2008, Bourne and Walker 2006).

### 2.1 What is a Stakeholder Management Theory?

Stakeholder management theory is a combination of both rational and affective theory. First of all, stakeholder management involves the optimization of processes which is one set of skills and falls into rational theory. Second, the complex processes involving human emotion and behaviors, which is another set of skill, falls into affective theory. Third, the line in between rational and affective theory is not static and should not be static – it should be flexible to facilitate the understanding of the theory and to allow a non-ideological, neutral approach, which is also the willingness of a PM to operate in different environments (Wembe 2016). If a PM takes any set of skill principles to the extreme, there will be problems. So, PMs have to guide stakeholders from deception by adding a willingness to the set of skills required to manage stakeholders.

Two sets of skills are needed for stakeholder management, namely, hard skills and soft skills. The latter includes informal and the ability to read the power structures of the organization and the willingness to operate in this environment. When the two sets of management skills are exercised differently, stakeholder satisfaction levels will change. The contractual arrangement model is transactional, and according to Miles and Ballard (1997), in contractual arrangements, the object of the exchange is clearly understood. The skills required to manage contractual arrangements are hard skills and some soft skills. Freedman (2006), argues that the idea of stakeholders, or stakeholder management, or a stakeholder approach to strategic management, is to formulate and implement processes which satisfy all and only those groups who have a stake in the project, the central task in this process is to manage and integrate the relationships and interests of shareholders in a way that ensures the long-term success of a project.

The informal approach is the ability to read the power structures of the organization, and the willingness to operate in this environment. The recommendation of Freedman (2006) seems to be an idea from the informal management approach. The informal management approach to strategic management model is to manage and integrate the relationships and interests of shareholders in a way that ensures the long-term success of the project. In an informal management approach relational arrangement, goals and objectives are much more undefined and the results uncertain, such that "rules" change with the life of the contract (Miles and Ballard 1997).

### **3 STRUCTURE OF PROPOSITIONS**

There are three variables of stakeholder management in project management determined in the literature review. These can be considered as playing an important role in forming stakeholder satisfaction: level of formality, level of participation and level of communication. What is the bottom line of stakeholder satisfaction? Previously, stakeholder satisfactions were measured based on the three constraints (Time, Cost and Scope). It further moved to expectation, process and information (Hartmann and Hietbrink 2013, Walker *et al.* 2008). These researchers identified the three variables that will make stakeholders even are more satisfying.

1. The level of formality relates to the type of contract and relationship PMs have with the stakeholders; stakeholders can have the first choice of the relationship.
2. The level participation addresses the involvement of PMs in stakeholder activities or the co-operation between PMs and stakeholders, and again stakeholders can have expectations about the involvement of the PMs.
3. The level of communication relates to the frequency and quantities of communication the PM has with the stakeholders and the number of feedback stakeholders provide to the PM.

The research analyzes the formality level, participation level and communication level in projects in Africa. The main idea is to think about the responsibility of the PMs with regard to stakeholders; how the model will enhance stakeholder satisfaction; how more effective communication, either formal or informal, will improve and hence stakeholder satisfaction; and what the impact of the formal contractual relationships and informal contractual will have on the projects; how the stakeholder satisfaction will improve the project successfully?

### **4 NEW CONCEPTUAL OF STAKEHOLDER MANAGEMENT THEORY**

This new perspective of stakeholder management theory is seen as the 'best' part of both Western and Chinese way of stakeholder management. Although no other scholars appear to have defined

the stakeholder management theory, the latter is a key to stakeholder management. The development of the theory is underpinned by assumptions. The research assumptions consider the relationships between PMs and project stakeholders, qualitatively and quantitatively.

This paper proposes a contribution to the stakeholder management theory base on the formality, participation and communication level of project managers. The contribution to the stakeholder management theory derives from the substantive propositions developed in section 3. It presents a significant contribution to the stakeholder management conceptual theory that can be classed as an “accustom theory”. Accustom theory is a new stakeholder management conceptual theory. It deals with the hard skills (which is the craft of stakeholder management) which are the processes, the soft skills (described as the art of project leadership) which are the attitude and behaviors of PMs, and the power structure skills (the ability to read the power structure of the stakeholder ecology and the willingness to operate in that environment) which is the understanding of the complexity and the creativity of the PMs when managing stakeholders.

Hard skills are a process in which project managers use to potentially deliver a successful project while soft skills are the emotional, intuition, communication, interpersonal skill and leadership project managers use to manage the process which deliver the project successfully. The important skill is the line between hard skills and soft skills which is defined as “guanxi”, the power structure skills. The power structure skills are the caution, values, critical, understanding why some stakeholders do not fit within the group and take action to make them feel acceptable for the purpose of the project, and the benefits stakeholders convey and gain within the project stakeholders’ group.

## 5 CONCLUSIONS

This paper has presented an account of the inconsistencies in stakeholder management theory and demonstrated how corporate social responsibility theory shadows stakeholder management theory. This paper forecasted on the three variables to elaborate the new perspective theory of stakeholders’ management which is the new conceptual theory of stakeholders’ management coming from the best part of both Chinese and Western stakeholders’ management. A new stakeholder management approach based on best practices from Western and Chinese approaches aims to increase stakeholders’ satisfaction and improve project success.

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