

PM WORLD TODAY – FEATURED PAPER – OCTOBER 2009

Demystifying Stakeholder Analysis in New Product/Service
Development

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Editor's note: This paper was originally presented at the 3rd Annual UT Dallas Project Management Symposium in Richardson, Texas, USA (<http://pmsymposium.utdallas.edu/>) in August 2009. As Media Partner for that event, PMForum agreed to republish selected papers in PM World Today. This paper is included here with the consent of the author and permission of the Graduate Program in Project Management at The University of Texas at Dallas School of Management, who is the copyright holder of the conference proceedings. All conditions and disclaimers of the copyright holder pertain.

Introduction: Every business struggles with New Product and Service Development. Average failure rates for NPD vary across industries but generally failure rates are unacceptably high and increasing due to the ever-rising complexities. With the current economic downturn, companies have an opportunity to look around and see what works in NPD. In other words what are some of the key elements to succeed in NPD? Stakeholders are arguably very important to project success, but how do you recognize and organize them? We will provide a framework from which you can identify the various types of stakeholders, the roles they play, analyze their effects on your projects and more fully engage positive stakeholders.

PMBOK[®] makes numerous references to positive and negative stakeholders (to be precise in PMBOK[®] 4, the word “stakeholder” appears 385 times). On a simple project stakeholder analysis might be limited to the customer requirements to help generate a Work Breakdown Structure (WBS). However for new products and services this is clearly not enough. A new product or service needs more than just being on time, on budget and fitted with the appropriate quality to be called a success – it needs to make a profit!!! So, what types of stakeholders do successfully delivered products and services have and what are some of the ways to engage and manage them?!

Our intent is to present a model for grouping stakeholders by which project managers conceiving new products and/or services can use to increase the rates of success for new projects. In addition PMs will be able to quickly identify entire stakeholder groups missing or improperly identified on a project. The model is ideally intended for new products and services delivered to

consumers, governments or other businesses. Our paper will stay in the world of NPD and NSD (New product and services development). Individual stakeholders generally have a name and address however for our model to work we have created seven groups with more generic type names so you may be able to apply our model more easily to your project environment.

To begin we will review the bottom up approach in Figure 1 for listing stakeholders. Then in Figure 2 we will show the top down approach to organizing stakeholders using our proposed model. Afterwards we will proceed with a more detailed analysis of evaluating the level of influence and interest each group has on your project.

Building Your Model of Stakeholder Groups (Bottom up approach):

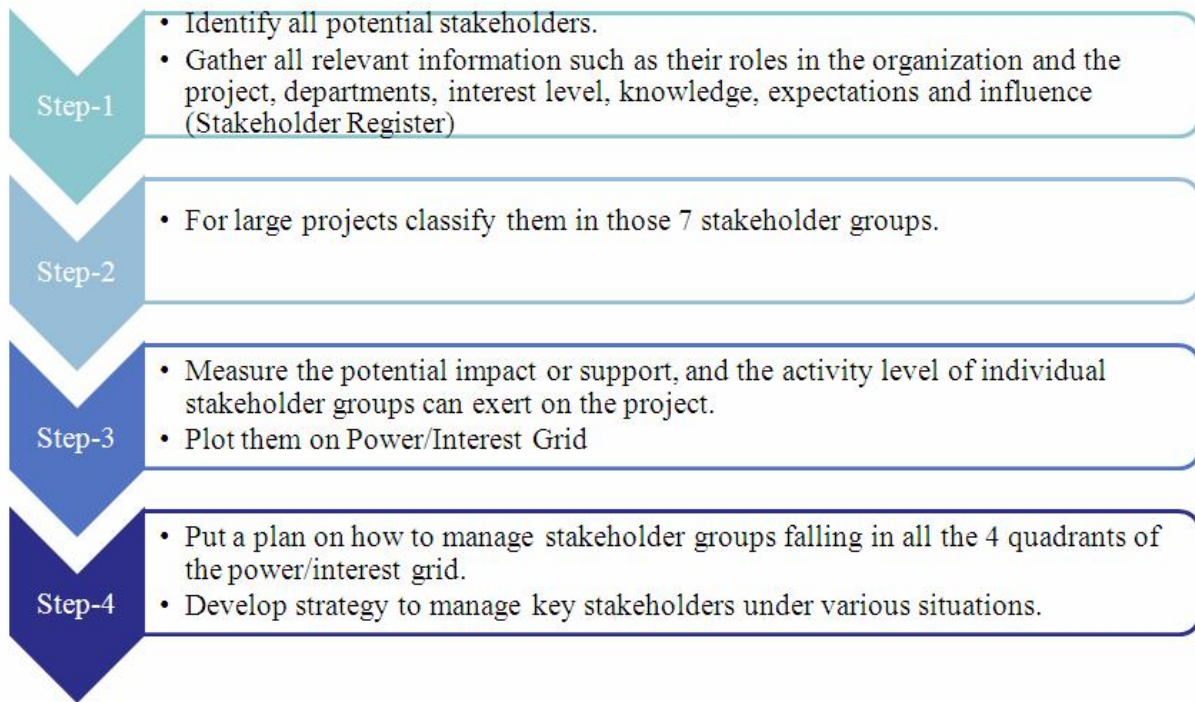


Figure-1: Stakeholder Analysis Steps

Once you have identified all your stakeholders for your new product or service you will be able to place each one within one of the seven groups below in figure 2. (Bottom up approach) After completing this exercise if you find you have groups containing no stakeholders then you will definitely encounter problems on your project. Alternatively starting with the seven stakeholder groups will help you may gain insight into missing stakeholders. (Top down approach) You may decide to add this model to your Risk Management Register. By always having the seven groups

high up in your mind you will now be able to identify the influence and interest each group has over the new product or service.

Many examples of corporate mistakes for NPD presented in this paper were selected from the auto industry. The intent is not to make fun of these enterprises but to show how incredibly complicated the interactions become when essentially you are creating an automobile with millions of potential permutations and combinations and seemingly there are no boundaries. In addition probably no other industry spends more on NPD, so if they have failures, we can all learn a lot from the auto industry regardless of what industry we currently find ourselves.

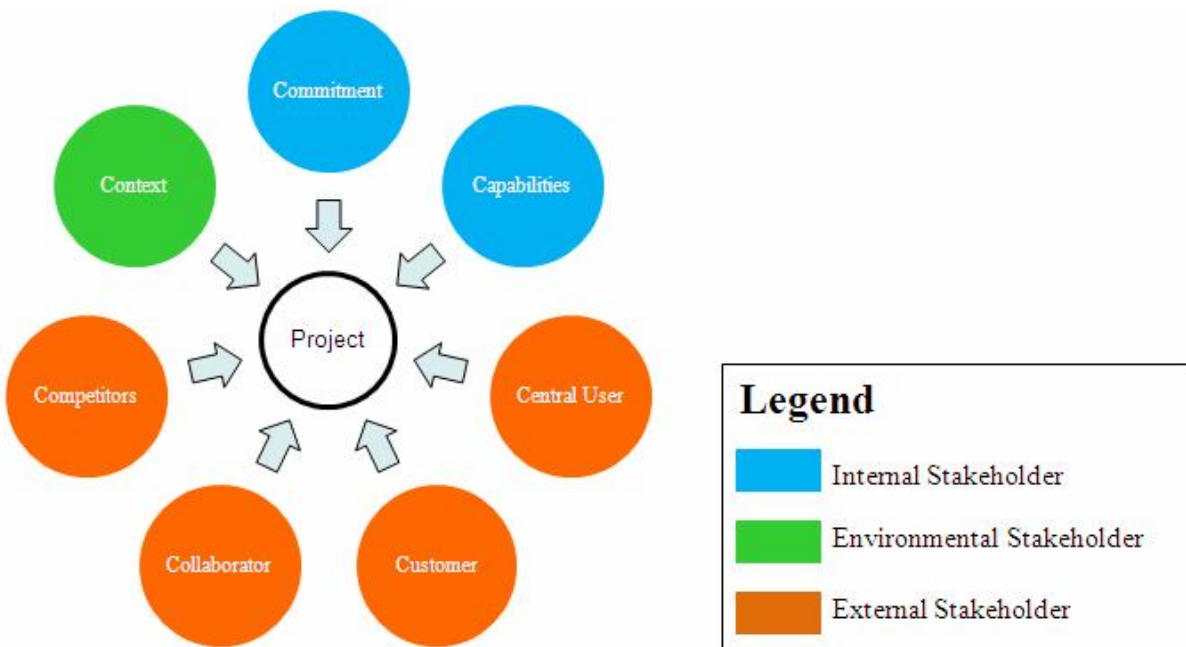


Figure-2: Stakeholder Groups on New Product and Services Development Project

Groups of stakeholders

INTERNAL STAKEHOLDERS

1) Commitment: Has the firm, originating the project, committed whole-heartedly to the new product or service being conceived by allocating sufficient resources? Does the potential for conflict with the current line up of products and services exist? How does management

believe the new project will affect the current line up of offerings? As you can see commitment encompasses a large group of stakeholders within the firm requiring not only the PM but the Sponsor to be fully on board to sell the project internally. For example When Jack Kilby invented the integrated circuit at TI most executives at the time were not impressed with Kilby's invention as Kilby had potentially destroyed TI's existing business of manufacturing individual transistors and assembling them together on boards to create circuits.

Prior to bankruptcy Chrysler and GM did not have a commitment to make cars most American wanted to buy. Most baby boomers today shun domestic cars. As young drivers this age group endured the poor quality from Detroit as hand me down cars from their parents and many baby boomers swore to never buy a domestic car when more reliable imports became available. Amazingly, Ford cancelled the Taurus a few years ago (2004) - one of its most successful brands. (The brand will be re-introduced later this year.)

Does the new project conflict with other commitments the firm currently has? Will the new product simply cannibalize your existing customers? Did Saturn sell cars to new non-GM customers or did it simply divert diminishing GM customers to Saturn? If your project lacks commitment from internal stakeholders you are probably doomed unless you can seriously alter the situation.

2) Capabilities: From the point of view of developing new products or services, does your firm have the capabilities? Google cannot design and manufacture a car today just as Toyota today cannot provide online banking services to its car owners. When firms conceive new products and services they must be able to match not only their capabilities, but also their competitive advantage to the design of new products and services. Increasingly new products come with new services. So the convergence of products with services increases the complexity in designing new products and services. The real challenge is often what features to leave out for the next version. In other words focus on the good enough solution to get you in the marketplace and then with later iterations, add functionality and complexity as required by the market. Too often ambitious new products and services overwhelm the capabilities of the originating firm. The landscape is littered with incomplete projects due to insufficient capabilities and commitments.

Remember failure is an orphan and success has many parents. For example, the Edsel designed and manufactured by Ford was one of its greatest failures. However many of the Ford executives involved in Edsel were also involved in the Mustang – one of Ford's greatest successes.

Chrysler, for a variety of reasons does not have the capabilities to design, engineer and manufacture smaller cars for the North American market. The link with Fiat is primarily a transfer of technology to Chrysler as Fiat is not investing any capital into Chrysler. However with a twenty percent stake Fiat is viewed as offering a lot to Chrysler in the USA. Chrysler is essentially acquiring capabilities from Fiat while at the same time Fiat is potentially re-entering the US market with its line up of smaller cars.

Therefore if you are on a project and are doubtful of the firm's capabilities – maybe there is a partner out there with whom you may collaborate. Alternatively maybe the firm can acquire, learn or even invent the missing capabilities.

EXTRENAL STAKEHOLDERS

3) Central User should not be confused with the customer. Central users may not have any influence on the customer who actually purchases and pays for the new product. Too often the central user is just plain forgotten in the development of new services or products. How often have you been confounded by an automated telephone attendant, or confounded by the controls on a rental car?

Automakers central users are you and me who purchase cars from the dealer network established by each automaker. The dealer network is the customer of the automaker and as you can imagine the customers usually gets what they want. The dealer network of US automakers wanted until recently more trucks and SUVs and the automakers complied with disastrous results.

Has your project identified the central user? Do you even know who will be the central user? It is often a great challenge to get the known central user interested in a project when the benefits to the central user are often years off in the future. It is even more difficult to get the unknown future user involved as how do you define the unknown user?

For example when Ford used focus groups for the last version of its Aerostar (minivan), focus groups (made up of current central users) told Ford they did not want a sliding door on the driver's side. All minivans at the time had only a sliding door on the passenger side. Ford made an enormous error as they asked their existing base of users to tell them what to change and the focus group could not imagine using the sliding door on the driver side. Nor did anyone at Ford identify or push this as a competitive advantage for marketing. When the new Aerostar went into

production it was the only minivan on the market missing the sliding door on the driver side. All of Ford's competitors in the minivan category had made the driver side sliding door a standard feature or at least an option. As the lifecycle of your product evolves so will your base of central users and customers change. This is very important to keep in mind as you plan revisions.

4) The Customer as a stakeholder group is generally more easily defined than the central user. In some cases the central user and customer may be an overlapping stakeholder group. For example the iPod, who is the customer and the central user? More attention is generally paid to the customer on NPD/NPS than any other stakeholder group. While the customer is obviously important, this exceptional attention does not guarantee a successful project.

GM had a disastrous experience with the NOVA in Central America back in the 1970s. When GM exported the NOVA to Central America it would not sell as Central Americans would not buy a car when the name indicated it would “no go” when translated into Spanish!!!

On your project do you really know your customers?? If not start designing surveys by using web-based tools like SurveyMonkey.com!! Know your customer and not just the list of requirements. Developing the relationship will help with current and future projects. In addition as the product life cycle evolves so will your customers. Your first customer will be very different from your millionth.

5) Collaborators are external supplier working on any or all phases of product or service. Does your new product or service need collaborators? It most likely does as vertically integrated enterprises are becoming less common. How can the design of your new service or product take advantage of how your collaborators operate? The answer to this question may provide some competitive advantages.

Fiat's collaboration with Chrysler if executed correctly has the potential to reinvent both companies in North America.

Obviously there are internal collaborators on new projects however for this model to work try to place what you may call internal collaborators under the capabilities group mentioned in internal stakeholders.

6) Competitors are all around us. This is one stakeholder group over which you will not have much influence. They are a type of negative "background" stakeholder often ignored at great peril. Your competition will often be direct and indirect. Direct competitors offer similar

products and or services. Indirect competitors offer new or different products and or services through substitution and good enough solutions and often show up at the bottom of the market.

Domestic automakers took their eyes off the new competition in the 1970s and let their huge market advantage shrink as imports slowly chipped away at the sales of their domestic products over many years. Portfolio management at GM was weak and in the end there were too many divisions without focus. Think Saturn, Pontiac, Buick etc. Who were their customers/central users? It is interesting to note Henry Ford started two unsuccessful car companies before the Ford Motor Company we know today was launched and GM has gone bankrupt three times: 1919, 1925 and 2009.

Is your project differentiated from the competition? Do you have not only a strong business case, but also specifically a competitive advantage? How are you dealing with the competition? Is your new product going to be a substitution of existing technology (think cell phones) or is it a revolutionary transportation device like the first car. (Arguably the car substituted the horse and buggy but it was also revolutionary as it provided the possibility to travel on a much wider scale than previously experienced.)

ENVIRONMENTAL STAKEHOLDERS

7) Context as a stakeholder can be viewed as many things. It may be the regulatory environment within which your product and service will be deployed. It is also the country where your offerings will appear, as there are many cultural considerations to consider when taking a successful product or service from one country and deploying it elsewhere.

For example Tata Motors of India shutdown a brand new factory in Singur, West Bengal last year where the new Nano was to be built. Apparently Tata was used to pushing its weight around and getting what it wanted. In October 2008 due to protests by local farmers and opposition at the government, the Tata Nano factory was not allowed to open and the results were a huge disaster for Tata.

Do you understand the context under which your project will be released? What are the cultural implications? What are the political challenges? What unique market conditions will arise? Most new products and services are not consumer products so embrace the complexity and challenges, as they probably cannot be avoided. Examine what is unique about the market? Are good enough products going to work to develop market share or does something need to be very high end to gain market acceptance?

Gauging Stakeholders' interest and influence on your NPD/NSD

Use the matrix in figure 3 to place your seven stakeholder groups in the appropriate quadrant.

Power/Interest Grid

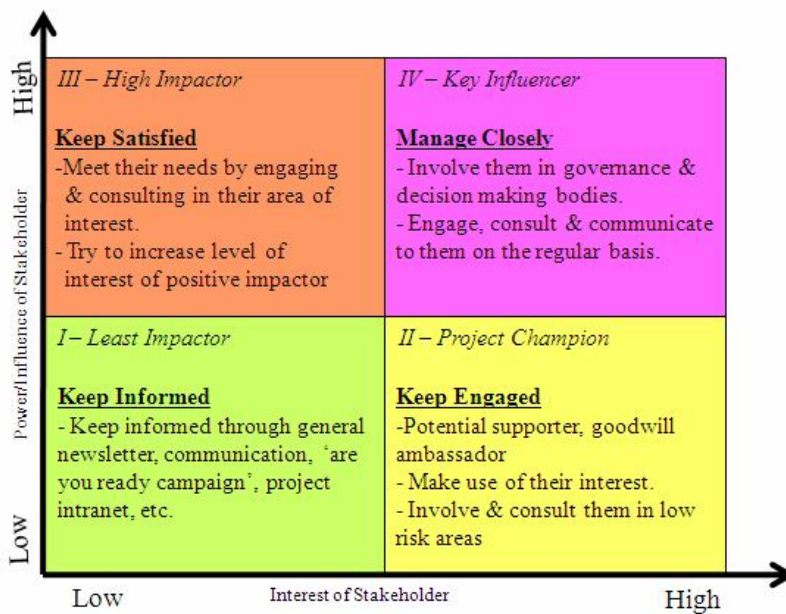


Figure-3: Power/Interest Grid

Example Power/Interest Grid

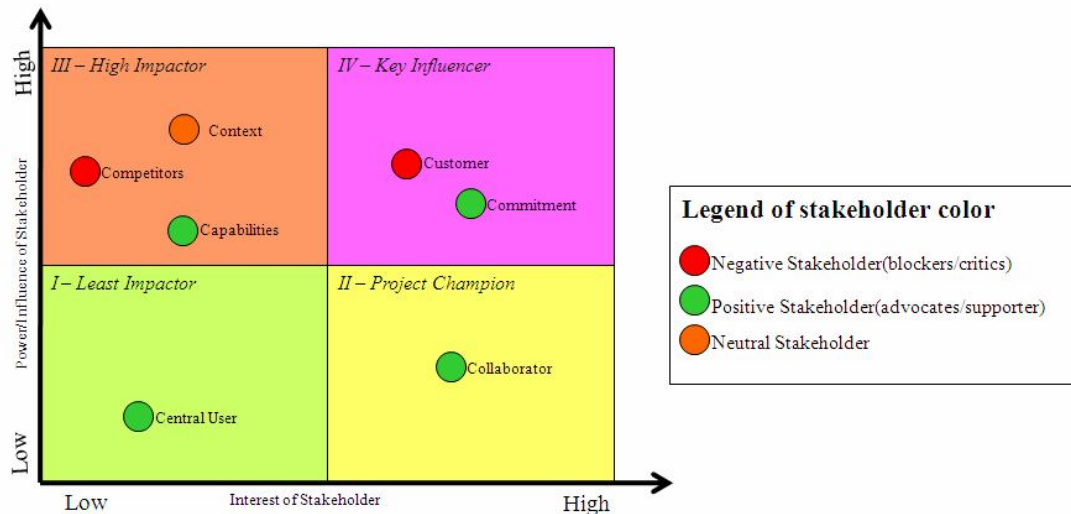


Figure-4: Example Power/Interest Grid with Stakeholder Groups

In Figure 4 we have placed the seven stakeholder groups into the appropriate quadrant after gauging the individual group’s interest and power. (Use a stakeholder analysis matrix to gauge interest and influence) The colors for each group represent the individual rating assigned to the group.

Figure 4 is a very simple diagram showing the seven stakeholders on a hypothetical project. In practice you may find stakeholder groups occupying space in more than one quadrant and have elliptical or larger circular shapes. For example after measuring your central users on a project you discover the group is made up a high, medium and low influencers (Power Axis of grid) with little interest on the Interest Axis. Therefore for easy reference on the Power/Interest Grid you would most likely show the central users as a vertical ellipse within quadrants III and I. These are the high and least impactor quadrants. By simply changing the shape and size of the stakeholder group you maintain the simplicity of the matrix when you want to convey complex information to others.

The benefit of gauging all stakeholders allows you to visualize your groups and develop the appropriate strategy and responses for the success of your project. This also gives you the chance to develop “what if” scenarios for the cases where the project is not going well.

Moving positive stakeholder to the right side of grid

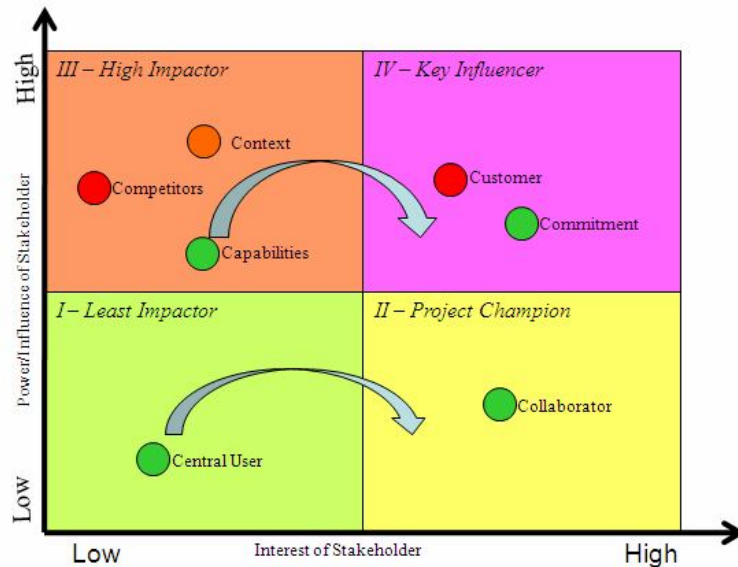


Figure-5: Transition of Positive Stakeholders to the right side of grid.

Once you have identified positive stakeholders having low interest in your project you must plan to move them over to the right side of the grid by engaging them more fully to increase their interest. They may not have the power to kill your project but in the end you may not be successful since you ignored what you thought were weak partners. Overlooked stakeholders with low power and high interest can be great assets to the project. They often can create excitement about the new product or service being developed.

Stakeholder Management

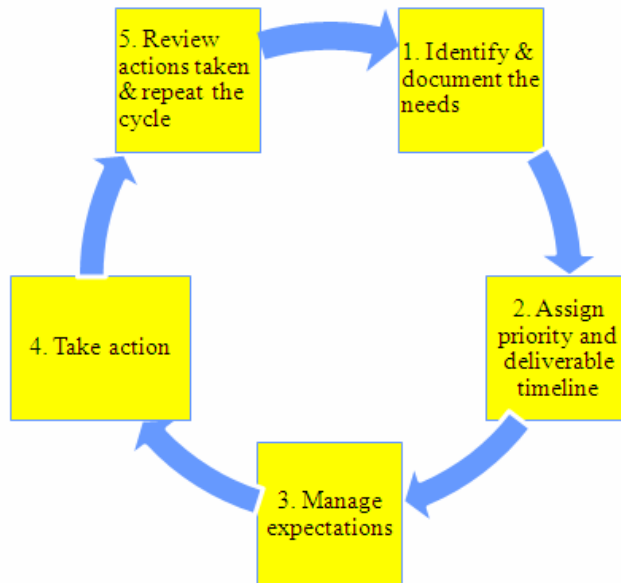


Figure-6: Stakeholder Management to meet expectations and take actions where needed.

Having identified your stakeholder groups, their positions on the power/interest grid, and developing the strategies to manage them you will now manage the day to day expectations of these groups using figure 6.

When managing these groups, procedures must be in place to check the actions taken and the implications of the actions taken. On a regular basis the resolutions taken and implications of these should be reviewed and corrective actions taken.

Managing Stakeholder Groups Throughout Project Lifecycle

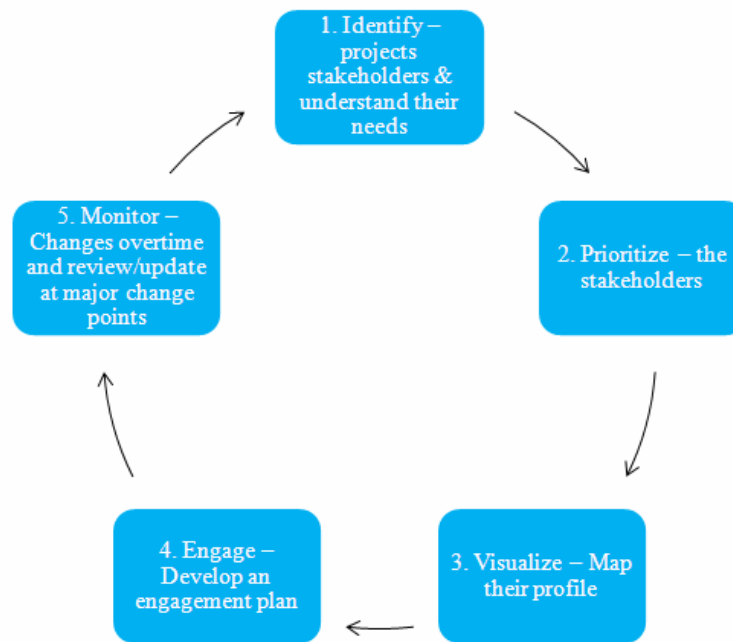


Figure-7: Iterative process of managing stakeholder groups throughout project lifecycle.

Stakeholder analysis is an iterative process. As the project progresses stakeholders' positions may change. The power/interest grid matrix is living document and needs to reflect the changes in positions of the stakeholder groups. As new phases of the project begin it is good time to re-evaluate the stakeholders' positions and new strategies may be needed. Figure 7 deals with this iterative process.

Conclusion: Even if your new product or service project is blessed with unlimited resources, generous schedule, and top talent and no quality requirements – these will not guarantee success. Stakeholder analysis is very challenging but getting it right at the beginning and throughout your project is critical to the project's success. This high level model for grouping and measuring stakeholders influence can, with little effort, be adapted to your next project.

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