SHORT OVERVIEW: Stakeholder analysis is an approach used to identify and assess the importance of key people, groups of people, or entities that have a perceived interest in a system and may significantly influence the success of a system endeavor. Stakeholders can exist within a system or external to a system (in the environment). Stakeholder analysis explicitly accounts for and addresses multiple interests (rational and irrational, inside & outside) which can impact achievement of system/effort objectives.

A STAKEHOLDER ANALYSIS PROCESS

There are three primary phases to conducting a stakeholder analysis:

1. **Identification and classification:** Determining who the stakeholders are and conducting a classification of each stakeholder.
2. **Analysis:** Determining the interests of the stakeholders and the impact that they can have on a systems effort
3. **Response:** Determining the strategy(ies) that should be pursued to deal with the stakeholders.

**Identification**

Three primary clusters of stakeholders that might be considered:

- **PRIMARY STAKEHOLDERS:** Have direct authority, accountability, influence, or responsibilities for decisions, actions, and execution of the system-of-interest.
- **SECONDARY STAKEHOLDERS:** Without direct involvement in the decisions, actions, and execution of the system-of-interest but have interests in the initiative as a perceived benefit or detriment to their interests. Can impact achievement of objectives.
- **TERTIARY STAKEHOLDERS:** Have an indirect interest in the system-of-interest and are not directly impacted by the initiative. Could interject to threaten achievement of objectives.

**Classification**

Stakeholders can be classified with respect to three dimensions:

1. **POWER:** The degree to which a stakeholder has influence concerning a systems endeavor. This is the extent to which they can persuade or coerce others into making decisions and taking certain actions. Seven potential sources of power include:
   - **Legitimate** – power stemming from formal position of authority in relation to the system endeavor.
• **Expert** – power derived by having specialized knowledge relevant to the system endeavor.

• **Reward** – power that stems from having the capacity to provide incentives in relationship to the system endeavor.

• **Reverent** – power from having a following (e.g. charismatic) that has confidence in an individual/group

• **Coercion** – power that accrues from being able to forcefully make demands of individuals/entities with respect to a system endeavor.

• **Connection** – power from having a strong network of relationships that might influence a system endeavor.

• **Information** – power derived from having, being able to provide, or being able to limit access to information related to a system endeavor

2. **LEGITIMACY**: The degree to which a stakeholder has a formal position which provides them decision/action authority concerning the system endeavor.

3. **INTEREST**: The degree of concern that a stakeholder has with respect to the system endeavor (design, execution, results) as being ‘important’ to them.

Figure 1 shows a relationship of 9 different classifications based on the Power, Legitimacy, and Interest that a stakeholder possesses.

**Stakeholder Analysis: Advanced Classification**

1. **Dormant** (Power, no legitimacy, and no interest)

2. **Discretionary** (Legitimacy, but no power and no interest)

3. **Demanding** (Interest, but no legitimacy and no power)

4. **Dominant** (Power and legitimacy, but no interest)

5. **Dangerous** (Power and interest, but no legitimacy)

6. **Dependent** (Legitimacy and interest, but no power)

7. **Definitive** (Power, legitimacy and interest)

8. **Nonstakeholders** (No power, no legitimacy and no interest)

Figure 1. Classification of stakeholders with respect to Power, Legitimacy, and Interest.
Analysis

The analysis phase of Stakeholder Analysis assesses each of the stakeholders with respect to Power, Legitimacy, and Interest and assesses their potential support for the system endeavor.

The following matrix (Figure 2) shows the classification. Note that the dimensions of Power, Legitimacy, and Interest can vary in degree. For example, power might be given a 2 on the 0 – 5 scale (0 low – 5 high). **Note that the analysis should also include the reasons for assignment of the Power, Legitimacy, and Interest classifications.** The classification then is made based on the ‘best fit’ to one of the 9 categories – there can be cases where you want to include a stakeholder in two categories based on the analysis. The expected support classification has 4 levels:

1. **Supportive** – total backs the systems effort and is willing to help/support
2. **Mixed** – can be partially supportive of the effort and possibly willing to help/support
3. **Non-supportive** – not supportive of the effort and might actively provide opposition
4. **Marginal** – not expected to support or oppose effort

<table>
<thead>
<tr>
<th>SH Id</th>
<th>Power (0 low – 5 high) Reasons</th>
<th>Legitimacy (0 low – 5 high) Reasons</th>
<th>Interest (0 low – 5 high) Reasons</th>
<th>Classification (based on 9 classification categories)</th>
<th>Expected Support*</th>
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**Figure 2. Stakeholder Analysis Matrix**

Response

The response phase involves the specific strategies and actions that will be pursued by the ‘systems team’ with respect to each of the stakeholders. There are four primary strategies that can be pursued in response to the analysis of a stakeholder. These include, based on work of Brugha and Varvasovszky (2000):

1. **Involve** – leverage key relationships/network - possibly engage in active champion role – best for support classification of Supportive.
2. **Collaborate** – enter strategic alliances or partnerships – can educate – best for support classification of Mixed.
4. **Monitor** – gather information and observe – best for support classification of Marginal.

It is important to note that a strategy only tells ‘what’ should be pursued with respect to dealing with a stakeholder. The specific actions to execute the strategy must be determined by the systems team managing stakeholders. For example, for a strategy of
Involve, a systems team would decide specifically how that would be performed (weekly briefing, meeting, request for help, providing status reports, etc.).

Stakeholder analysis is not that difficult to do with a team and does not take an inordinate amount of time for the benefit that it can provide. A couple of hours can go a long way in avoiding making significant errors in dealing with stakeholders. Additionally, stakeholders can, and will, change over the lifecycle of a system endeavor – thus, the stakeholder analysis should be considered to be a ‘living analysis’ that should be matured over the duration of a system endeavor.

References cited:

Power types origination attributed to Cartwright and Zander (1968). Group Dynamics.


