Impact Of Internal Stakeholder Management On Project Portfolio Success - An Empirical Analysis

IT Software

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ABSTRACT

Stakeholder management acts as an important aspect in project portfolio management (PPM) process. This experimental study of a variety of project portfolios from Information Technology organizations in Bangalore examines the outcomes of the depth of portfolio based internal stakeholder engagement on project portfolio success by considering average project success dimension. The linkages among various stages of stakeholder engagement by integrating stakeholder theory in project portfolio management (PPM) are considered. Altogether, this paper showcases the diverse outcomes of the strength of stakeholder engagement on portfolio success and the findings guide probable managers to connect with internal stakeholders competently.

INTRODUCTION

Steadily, organizations have been executing their work in the form of projects; in addition more than two projects have been administered in the portfolio. Project portfolio management is a most recent domain for business to deal with an immense number of projects at a point. Projects have been emulated in comprehensively rising shares of expenditure for project allied activities. On the other hand, the unspoken advantage in the controllability of diverse projects appears with no clarity and therefore the usefulness of the entire set of projects in an organization. Therefore, business that deals with various projects together necessitate a well thought-out management framework for project portfolios and project portfolio management (PPM) as a result became a key expertise to realize strategies and stay comparative. Organizations require project portfolio management nowadays to execute the project in a better fashion and efficiently.

Together researchers and practitioners recommended that powerful stakeholders play a significant role in the successful management of projects. Similarly, in the professional and academic literature, a common viewpoint is that stakeholder management and performance are strongly related. In addition, internal stakeholders and their importance may be impacted by the projects or project results; therefore, from an ethical and acceptable management point of view, they must not be unobserved in project management, which is reflected in some explanation of project management success. Internal stakeholders have direct relationship with the project portfolio management accomplishment.

Stakeholders have vast significance in the project portfolio management success. There are different kinds of stakeholders or team members. According to this study various managers were associated in the key projects. So, most important stakeholders of the companies were dealt with high recognition while other stakeholders were at times ignored due to a number of disappointments or erroneous assessments. To augment the corporate social act, all stakeholders like managers, customers and others were given equivalent rights, so that they can act mordantly with elevated motivation in the PPM. Study point out that stakeholder’s engagement was very important
but in particular internal stakeholders got equal entitlements to be concerned with the project portfolio management success. To achieve excellent fulfillments of project portfolio offers equal opportunity to each and every stakeholder.

The literature indicates several aspects which improves the project portfolio management performance. One of these aspects was involvement of internal stakeholders. Engagement of stakeholders improved the performance of PPM. Beringer and team (2013) established affirmative outcomes of several internal stakeholder’s engagement on PPM success. Also considerable results were found for a few managers in various stages of the project portfolios. Consequently, this study discovers the influence of internal stakeholder’s engagement on the PPM success on considering average project success. To address this scarcity in stakeholder and project portfolio research, this paper focuses on the stakeholder behaviour perspective by analyzing its importance and place the following general research question: How does the action of internal stakeholders regulate project portfolio success?

Theoretical Context

Project Portfolio Management

As project management started becomes well-liked, project portfolio management has also gained recognition in numerous research areas in the late 1990s. In current times, several scholars put into practice a wider project standpoint on multifaceted control methods across project portfolios. As the rationale along with objectives and success criteria of project portfolio management are clear, researchers performing research in the field of latest product development (NPD). According to Cooper et al. (2001), the objectives of NPD project portfolios success can be delineated along four distinctive dimensions like –

- **Project portfolio efficiency** which comprises the average project success based on a golden triangle of cost, schedule and quality that are complemented by customer expectations.
- **Synergies** obtained as an additional value generated from cross project coordination, where projects are managed separately handled in a portfolio.
- **Strategic fit** refers to the association of project objectives and resource allocation according to a project’s strategic significance and reflects the inner strategic fit context.
- **Portfolio balance** is the amalgamation of four contexts of incremental & radical innovation, new & old market areas of application, high & low project risks towards finance, and learning of new & existing technologies.

A project portfolio has been affirmed as a compilation of projects that tackle for incomplete resources under the support of a particular organization. Accordingly, project portfolio management has been called as the “managerial actions that relate to the initial selection, assortment and prioritization of project proposals, the coexisting reprioritization of projects in the portfolio, and the distribution and reallocation of resources to projects according to
precedence”. Based on the definition and process oriented considerations of project portfolio management, the span of managerial activities is structured in three stages which are generic and recursive in nature: portfolio structuring meant for strategic direction among large project landscapes at persistent intervals in alignment with a strategic planning cycles; Resource management refers to resource management activities in the environment of project landscapes; Portfolio steering activities stands for gathering information for the continuous monitoring of strategic alignment, the development of corrective measures in case of divergence from the target portfolio, the coordination of projects across organizational units to categorize project synergies, and the recognition and abortion of outdated projects. In general, organizations may not essentially achieve all phases to the same level related to project portfolio management.

**Stakeholder Theory and Stakeholder Management**

The fundamental premise of stakeholder theory is that a company symbolizes by its management which has associations with several constituent groups of individuals in the company and in its outer environment, and all genuine stakeholders have inherent value, play a critical role in the company’s success. Research on Stakeholder is comparatively a new area; concept on same refers to strategic management and applied to project management too. In addition, the available literature is mostly practitioner-oriented, and empirical research remains fairly inadequate.

The effort by Jonas (2010) can be well thought-out as an initial step in recognizing the important roles and responsibilities in the PPM and does not describe statement by Frooman (1999), who pointed to better comprehend stakeholder actions by successful stakeholder management. The established definition of Freeman (1984), who referred to a stakeholder as “any group or individual who can affect or is affected by the achievement of the organization's objectives” is still extensively used. Thus, illustrate on stakeholder theory by defining a project portfolio stakeholder as any group or individual in a relationship with a project portfolio so that the group or individual can affect or is affected by the achievement of the portfolio's objectives (Project Management Institute, 2006). Additionally, Freeman (1984) distinguished between an organization's internal and external stakeholders with respect to organizational characteristics.

The focus of this paper is strategic stakeholders those influences project portfolios, are:

- **Senior management** - act as the key decision makers within an organization and they are supposed to overcome barriers regarding change by utilizing hierarchical potential. In the PPM perspective, senior management must decide on processes and standards for the overall project prioritization, assortment, and appraisal mechanisms. Thus, the portfolio structuring phase is the most important phase for senior management engagement.
- **Middle-level line management** - consists of those stakeholders that are positioned under senior management but inevitably above project leaders. In their various forms, mid-level line managers play a major role in project portfolio management processes and are accountable for foremost lower organizational levels by
consistent, reliable resource commitments and project execution; and are supposed to act as brokers and mediators between business strategy and daily business. Also this entails the cross-project coordination of multiple projects within one organization and followed under the aforesaid middle management. Thus, the major phases for this are the resource management and portfolio steering phase.

- Project managers- They are considered as highly important manager who are responsible for the success of their individual projects and represent their teams and the internal or external project customers in portfolios. As project managers have no major stage of engagement in the PPM process but they contribute to all three phases in a different modes. Concerning portfolio structuring, they are accountable for achieving the project objectives to realize the intended project significance. For resource management phase, responsible for robust project planning, competence development and resource commitments. And for steering phase, they are accountable for the ongoing project status information.

As per the PPM guidelines, every stakeholder is responsible for a particular role. Thus, the role clarity on the allocation of tasks within the system is critical (Bliese & Castro, 2000). Role clarity refers to the overall transparency across the roles of all internal stakeholders and is supposed to develop from low to high over time. In the PPM context, ambiguous roles might lead to inappropriate interventions in the project portfolio management process. Therefore, better stakeholder engagement may positively add value to a portfolio’s success only if the higher level of engagement is also endowed in the proper process phase.

**DETAILS OF THE PAPER**

**Hypotheses**

Based on these findings from PPM and general stakeholder research, this study examines the following hypotheses pertaining to project portfolio management:

Hypothesis 1(H1): Strength of engagement of internal stakeholders impacts project portfolio success.

Hypothesis 2(H2): Strength of engagement of internal stakeholders impacts project portfolio success across various PPM stages.

Hypothesis 3(H3): Role clarity moderates the influence of the strength of engagement of stakeholders on project portfolio success.

**Research Methods and Samplings**

To experiment hypotheses cross sectional sample is used from the Information Technology firms in Bengaluru, India. For the study, approximately 1000 managers were requested through email by providing explanation of
goals and objectives of the study followed by regular follow-ups so that concerned managers to validate and fulfil the contribution necessities. The project portfolio sizes of at least 20 concurrent projects were considered and managers with various designations were involved. In whole, over 350 filled questionnaires received, corresponding to a response rate of 36%. For empirical analysis, completely filled questionnaires were considered, with a sample size of close to 220 suitable cases. For analysis, the strength of each stakeholder’s engagement in each PPM stages is measured. Furthermore, role clarity as an indicator of PPM maturity is considered as shown in Figure 1. To determine role clarity and strength of stakeholders’ engagement in this study, suitable scale items based on the literature review (Hair et al., 2006; Beringer et al., 2013). For data analysis the study used SPSS tool for performing hierarchical ordinary least squares (OLS) regression.

Outcomes and Discussion

By examining the direct effects of the comprehensive data, the strength of engagement of project managers shows a strong significant impact on average project success (0.34, p<0.05). Additionally, the strength of engagement of middle managers in the resource management phase significantly impacts average project success. Finally, moderator variable role clarity shows a significant impact on average project success (0.11, p<0.05) and $R^2=0.17, F=2.13, p<0.01$. Senior managers should become accustomed with the strength of their engagement to the necessities in each stage of PPM. This means exclusively to focus on senior managers’ major phase and also to accompany the further process ensuring that objectively most important projects are assigned the key resources. With growing operational activities, senior managers should reduce their engagement and entrust to middle
managers. Therefore, senior managers avoid micro-management by selecting a suitable management approach, which is essential for successful PPM. Also senior managers must strengthen and implement the PPM system. Middle managers can also provide support in phases other than their major phase, particularly during the build-up of PPM systems. They should insist and support increased role clarity; including complying with defined processes and abstaining from following their departmental benefits but rather complementary them with overarching PPM goals and actively demand that required competences for their role in PPM towards its success.

**Limitations and Future Research**

This study has used a sample from Information technology firms in Bengaluru. The sample size is logical and consists only of medium to large project-oriented organizations. Therefore, the outcomes may not be directly appropriate to firms with smaller project portfolios, for which stakeholder communication may be easier. Finally, this investigation is explorative in nature. Prospect studies may reflect on this and experiment these effects with samples from diverse businesses. Further research could extend this effort by analyzing the quality of stakeholder engagement with respect to the the PPM process as a whole.

**CONCLUSION**

Based on results and conclusions this study contributes to both PPM and stakeholder literature. For the first one, this study shows the differential outcome of stakeholder engagement on portfolio success. Stakeholder theory is improved by incorporating various offerings within stakeholder theory, examining the theory with empirical data, and relating the theory to the framework of PPM. This study shows that stakeholder engagement influences performance merely in environments with adequately distinct roles and responsibilities. In organizations with little PPM maturity and uncertain roles, stakeholder engagement may be mistaken. In particular, senior managers must increase their efforts to further improve role clarity and professionalize PPM.

**REFERENCES**


