

THE MANAGEMENT OF CONSTRUCTION STAKEHOLDERS BY HIGHER EDUCATION INSTITUTIONS (HEIS) IN THE UNITED KINGDOM (UK): A PILOT STUDY

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Organisations liaise with internal and external stakeholders, i.e. other organisations and individuals. The inter-links between stakeholders can be very complex as engagement is often done with different departments at different hierarchical levels. Stakeholders have different levels of power and interests, and given their diversity, it is likely that inter-organisational liaisons could experience conflicting stakes. Against this background research was carried out to investigate how Higher Education Institutions (HEIs), as a distinct segment, manage their internal and external stakeholders. HEIs are a subset of learning institutions in the UK and have significant property portfolios. They also procure construction projects continuously and thus engage with both internal and external stakeholders. Having established key issues from a literature review, data were collected by a questionnaire survey sent to Estates / Facilities Managers employed by HEIs in the UK. The data were analysed using descriptive statistics to identify the challenges and salient features of stakeholder management in the HEI subsector. The findings indicate how HEIs liaise with their internal and external stakeholders, and that they communicate more frequently with the latter group. Openness, honesty and free-flow of information in a timely manner are desired by stakeholders. Challenges are encountered in stakeholder engagements but these do not always transform into disputes. The research demonstrates the importance of understanding and accommodating the inputs of both internal and external stakeholders to the building procurement process. The outcome of the research will benefit stakeholders, and clients in particular, involved in delivering construction projects in the HEI sector.

Keywords: higher education institutions, procurement, project management, stakeholder management.

INTRODUCTION

A research pilot study to test theory on stakeholder management and client leadership was carried out, with the overarching aim of fostering effective stakeholder management as a core competence, curbing ‘adversarial antecedents’ (Latham, 1994) and developing a ‘stakeholder-friendly’ industry (Wheeler and Sillanpää, 1997). This aim is especially important in contemporary practice where multifaceted stakeholders are often involved. Interactions between stakeholders can present some challenges that can affect the organisations involved and their associated projects in a negative way. Thus the function of stakeholder management must be approached with prudence and

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how HEIs in the UK do this was investigated to inform this research. The next section will discuss the concept of stakeholder management and its theory after which the research method is presented. The findings and their discussion are reported after the research method section, and the paper concludes with some key findings.

STAKEHOLDER MANAGEMENT

Stakeholders are individuals or groups with an interest and influence on an organisation (Thompson, 2002). In turn, an organisation depends on its stakeholders (Johnson *et al.*, 2005). Stakes are the interests of stakeholders and can last for short or long terms. Stakeholder engagement is about developing and sustaining inter-relationships between a given set of (project) stakeholders (Lerbinger, 2006).

All organisations have many and different types of stakeholders (Christopher *et al.*, 2002). Modern construction projects involve dynamic configurations of stakeholders, for example: owners, users, project managers, facilities managers, designers, shareholders, legal authorities, employees, subcontractors, suppliers, process and service providers, competitors, banks, insurance companies, the media, community representatives, neighbours, general public, government establishments, visitors, customers, regional development agencies, etc. (Newcombe, 2003). These stakeholders will, not unexpectedly, have differing claims, rights, expectations, legitimacy, power and urgency (Buchholtz and Carroll, 2009).

Although stakeholders can be of benefit to an organisation their differing claims, rights and expectations can exert tangential forces in different directions. This effect must be countered by managing stakeholders collectively in accordance with the objectives of a given cause (Gibson, 2000). Firstly, each stakeholder should be managed uniquely on the basis of their disposition, whether they be (less) critical; internal or external (Calvert, 1995; Winch and Bonke, 2002); direct or indirect (Smith and Love, 2004); primary or secondary; social or non-social; core, strategic or environmental (Buchholtz and Carroll, 2009). Consequently, the missions, strengths, weaknesses, strategies and behaviour of the different stakeholders are engaged circumspectly (Cleland, 2002) to avoid the threat they pose to projects and corporate governance, processes and outcomes (Freeman, 1984). Secondly, each project-based set of stakeholders must be managed as a cohort. However, organisations do not often manage their stakeholders in an integrated manner (Christopher *et al.*, 2002). Each organisation has to manage its internal stakeholders, which could be its different departments or employees. External stakeholders have to be managed too.

Saliency is the priority attached to a stake. The saliency of different stakeholders varies with time as well as their powers to influence project outcomes (Mitchell *et al.*, 1997). Communication amongst stakeholders is also very fluid. To each firm, therefore the number of stakeholders to manage can be overwhelming and the interrelationships with them are often complex and dynamic.

Coalitions of powerful stakeholders can emerge at different stages of a construction project and these are susceptible to conflicts of interests (Newcombe, 2003). Thus a project could evolve with several conceited objectives as its many stakeholders have varied interests. This inherent drawback must be managed proactively by avoiding conflicts and using resources optimally (Orndoff, 2005). It has also been argued that it is ethically worthwhile to respond to the claims, rights and expectations of all stakeholders, and that a formal approach is worthwhile (Cleland, 2002). Although some people have challenged the 'ethical tag' of stakeholder management, many

organisations practice the concept and make concerted efforts to demonstrate their implementation of the concept.

In projects involving multifaceted clients, large project teams and many other stakeholders, there is a critical need for effective coordination and general management of the different stakes and this warrants effective client leadership. This role of the client is underachieved (Latham, 1994; Boyd and Chinyio, 2006). Hence, studies into stakeholder management must consider the role of clients. The research informing this paper was approached from the client's perspective; it examines how clients in the HE sector procure their construction projects and manage their stakeholders.

Stakeholder theory

Stakes can have cultural or political origins (Mintzberg, 1995) and will manifest the attributes of legitimacy, power and urgency (Buchholtz and Carroll, 2009). Saliency and the power differential between a firm and its stakeholders influence the strategies and tactics for dealing with each other (Frooman, 1999; Kolk and Pinkse, 2006). A two-fold matrix is often used to map stakeholders as shown in Figure 1.

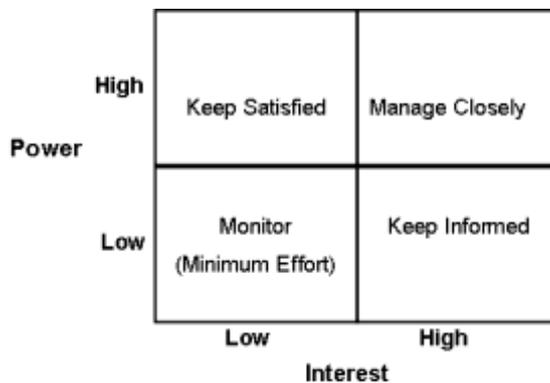


Figure 1: Power-Interest grid

An ideal approach is for managers to identify their stakeholders, understand their interests and respond to their concerns (Post *et al.*, 2002). Whilst minimal but relevant effort is required to satisfy stakeholders with little interest, greater effort is required to keep those with high interest happy (Carter, 2006). Tactics for stakeholder engagements include the use of: consultation, dialogue, education, partnership, control, information giving / building awareness (through, e.g., newsletters, emails, circulars, websites), site walks, conferences, workshops, exhibitions, cascade briefings, etc.

Stakeholder Management has evolved as a tenet of 'Corporate Social Responsibility' (CSR) and is underpinned on ethical, social and economic considerations. It should be backed by corporate policy and driven from board and executive level and be auditable (Wheeler and Sillanpää, 1997). The origin of modern stakeholder theory is often credited to Morgan Freeman (Goodpaster, 1991; Freeman, 1984) who postulated that an organisation relates with many constituent groups and can engender and maintain the support of these groups by considering and balancing their relevant interests (Freeman, 1984). Several recent texts have emerged to discuss the stakeholder concept at length, e.g. Buchholtz and Carroll (2009).

Steurer (2006) sorted stakeholder theories into three perspectives: corporate, stakeholder and conceptual. The corporate perspective concerns how corporations deal with stakeholders; the 'stakeholder' perspective is about how stakeholders influence corporations, while the conceptual perspective pertains to how particular concepts connect businesses with stakeholders, e.g., striving for sustainable development. Donaldson and Preston (1995) distinguished three strands of stakeholder theory: the descriptive, the instrumental and the normative. Steurer (2006) considered Donaldson and Preston's (1995) categorisations as subsets of his stakeholder perspective.

Meanwhile, Donaldson and Preston's (1995) three strands in the context of organisations mean thus:

- The descriptive aspect explains organisations as having competing interests that have intrinsic values; yet these interests cooperate with each other.
- The instrumental aspect explains the achievement of objectives such as profit, growth etc through the use of systems (instruments).
- The normative aspect refers to the thoughts, attitudes, structures, and practices that inform stakeholder management.

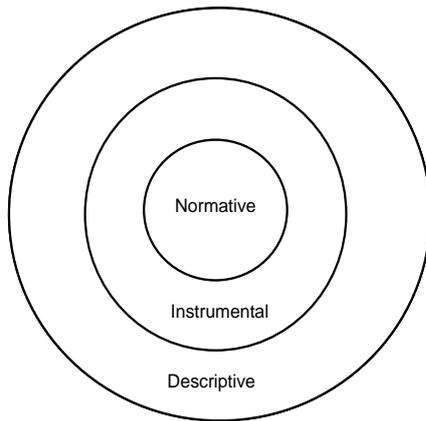


Figure 2: Schematic nesting of stakeholder paradigms (Source: Donaldson and Preston, 1995)

These three aspects of stakeholder management are not discrete but interrelated and have been viewed as existing in a nested formation as shown in Figure 2.

The stakeholder theory is still developing (Greenwood, 2007) especially in construction (Kolk and Pinkse, 2006). It is vital to underpin the evolution of construction stakeholder theory on empirical research that captures the peculiarity of this sector. There is also a dire need for effective client leadership in construction (Latham, 1994; Boyd and Chinyio, 2006) and stakeholder management provides the platform for actualising this pivotal role.

Previous research

Various aspects of construction stakeholder management have been examined. For example, Mei-Yung *et al.* (2004) investigated the commitment of stakeholders in project relationships and concluded that their affective commitment was more beneficial to project success than continuous commitment. Olander (2007) studied the impact of stakeholders by means of case studies and proposed that a stakeholder management process should:

- include the interest of legitimate stakeholders in the decision-making process;
- monitor and manage the potential impacts of powerful stakeholders proactively; and,
- attend to the needs of the urgent stakeholders.

Fraser and Zhu (2008) studied the perceptions of some project stakeholders about managerial effectiveness and established that different priorities were attached to different project features by the respondents in their survey. Likewise, Wimalasiri *et al.* (2010) established differing perceptions amongst stakeholders, especially between the project delivery team and end-users.

The need for more research

Notably, inadequate consideration has been given to the motivations and processes used by construction businesses to cope with the powers and pressures of stakeholders; some of whom can scuttle a project scheme (Kolk and Pinkse, 2006). With many stakeholders in a construction project, and their associated varied interests, it is highly likely for their interests to differ. That is an inherent conflict that must be managed-out. Coalitions of powerful stakeholders emerge in the course of

construction projects and these are not static and are susceptible to conflicts of interests (Newcombe, 2003). Thus stakeholder management and effective leadership assume a high significance if conflicts are to be avoided and resources used optimally without having to gather all stakeholders constantly in one place (Orndoff, 2005).

A formal approach is required for project stakeholder management (Cleland, 2002) and there are strides in this direction. For instance, Smith and Love (2004) concentrated on identifying the needs of stakeholders during briefing but did not capture the intricacies of the whole process. Newcombe (2003) appeared to suggest the management of stakeholders by the project manager. However, project managers may not be appointed early in the course of a project's development, and may disappear after the construction phase. Newcombe's (2003) treatise also provided a snap-shot overview only; an elongated study that captures the intricacies of dynamic stakeholder interrelationships is more worthwhile. The foregoing seminal works are steps in the right direction and are supplemented by this exploratory research.

In managing relations, a firm should not concentrate on a few stakeholders only, but on the entire set. Thus, it is pertinent to understand how the diverse stakeholders interact with a firm and amongst themselves so that their influences can be predicted more precisely, and appropriate response measures are evolved accordingly (Rowley, 1997). In the absence of (effective) leadership, this goal is unattainable. Modern construction delivery has demanded a move away from traditional briefing to more elaborate approaches that effectively decipher the requirements of clients and expectations of stakeholders (Atkin and Flanagan, 1995; Smith *et al.*, 2001). Buildings are technically complex, the organisations involved are numerous and fragmented, and the people involved have difficulty expressing what they mean. All of these issues give us a larger unknown arena than construction normally acknowledges or has processes to deal with (Boyd and Chinyio, 2006). Therefore there is scope to increase the volume of research into different aspects of construction, particularly stakeholder management.

Although principles of stakeholder management can be adopted across boundaries, construction has its peculiarities; hence the need to evolve principles of construction stakeholder management based upon empirical research. Whilst stakeholder management is broadly familiar, its application to the particular context of UK universities is less explored (Chapleo and Simms, 2010).

The Higher Education Funding Council for England (HEFCE) funds Further Education colleges and Higher Education Institutions (HEIs) in England. Reporting on findings of the Estates Management Statistical Service, HEFCE (2011) noted that all HEIs in the UK are currently spending 9-10% of their income on estates, and have improved on their: maintenance of estates, backlog affordability, space efficiency, conditions of estates, etc. Studies into stakeholder management in HEIs have concerned 'quality' (Iacovidou *et al.*, 2009; Luckett, 2007) but not construction. The research being reported begins to address this gap and provides an insight into stakeholder management in the UK HE sector.

RESEARCH METHOD

The aim of the research was to study how HEIs in the UK manage their stakeholder engagements. The objectives were to:

- Critically review literature on stakeholder management in order to identify key factors relating to client - other stakeholders' engagement [The Theoretical Model];
- Assess practical strategies and tactics for construction stakeholder engagement in the UK HEI sub-sector by surveying senior HEI estates / facilities managers [The Test];
- Analyse and present the data collected in respect of the practical strategies and tactics [The Practical Model], and
- Compare the Theoretical and Practical models and then draw conclusions.

To facilitate the study of stakeholder management within UK HEIs, a structured survey was designed and carried out by means of an online platform. A questionnaire was prepared on the basis of the aim and objectives of the research. The questions asked concerned: the types of projects undertaken, the internal and external stakeholders involved, the nature of engagement between the Universities and their stakeholders, any issues arising from these engagements and how these were resolved.

Through purposive sampling, HEIs in the UK were selected for the study. Within this segment, clients were identified as the primary source of information, particularly that aspects of client-leadership were being considered in the study. HEIs in the UK were targeted in the survey where the contact details of their senior estates / facilities managers were sourced from both telephone inquiries and publicly available sources, such as Universities' websites and HEFCE's (Higher Education Funding Council for England) list of UK universities.

Email requests were sent to senior estates / facilities managers employed by HEIs in the UK, requesting their participation in the research by completion of the online questionnaire. 164 requests were sent out in total and 33 responses (20%) obtained to inform the findings below.

FINDINGS

The experience of the respondents (23 Heads/Directors, 8 estates / facilities / project managers and 2 others) varies from 2 to 'over 25' years. 59% of the respondents have a working experience of, 20 years or more. The projects undertaken by the HEIs, either as 'new-build' or 'refurbishment' included: teaching facilities, administration/office buildings, student hostels/halls of residence and sport facilities. The capital cost of these projects was from under £1M to over £25M. Capital expenditure in excess of £25 million was indicated in 75% of 'new-build' schemes and 38% of 'refurbishment' projects.

The respondents provided answers on stakeholder engagement issues and identified critical success factors therein. These engagement issues are reported in this paper. The stakeholder issues covered here are: liaison, communication, engagement approaches, challenges faced, expectations of stakeholders and disputes between them.

Liaison with stakeholders

According to the respondents, HEIs liaise with stakeholder groups and will often engage these via a representative. Internally university executive, heads of departments, estates committees and staff are engaged more regularly whereas students are engaged less frequently. Regarding external stakeholders, technical consultants (e.g. architects, surveyors, engineers, etc.) contractors and local authorities

are engaged more frequently compared with others like solicitors, environmentalists and HEFCE occasionally.

Communicating with stakeholders

Communication between HEIs and their stakeholders can be considered as: 1) short-term (taking place daily, weekly or bi-monthly) or 2) long-term (frequency of monthly and above). Relatively, the frequency of short-term communication with both internal and external stakeholders was higher from project inception up to design-completion. During the construction and post project review phases the frequency of communication with both stakeholders shifted towards long-term, especially at the post-project review phase.

Engagement approaches

The preferred approaches for stakeholder engagement were indicated as: sustain existing relationships, deal with stakeholders collectively as well as individually, be proactive, track the changing interests of stakeholders and use any prescribed procedures. The less favourably rated approaches for stakeholder engagement were indicated as: be reactive and track stakeholder coalitions and powers.

Challenges faced

The two most frequent challenges that HEIs have posed to both internal and external stakeholders were to: 1) ask them difficult questions and 2) bargain hard with them. In the reverse direction, HEIs have faced challenges from stakeholders. Such challenges that occur frequently were identified as: poor performance of internal stakeholders, unclear requirements, last minute changes to scope leading to delays, minimal or even absence of information on the budget available and not understanding the information presented. Overall the HEIs seem to indicate that the challenges they pose to their stakeholders occur less frequently than those they get in return.

Expectations and disputes between stakeholders

Table 1 provides a comparative overview of responses on the expectations between HEIs and their stakeholders and disputes therein. The results suggest that stakeholders want HEIs to understand their points of view as well as be honest and open. On their own part, HEIs desire honesty and openness from the stakeholders. HEIs also prefer to be kept informed and be notified of changes in advance especially where external stakeholders are concerned. Relatively, Table 1 suggests that disputes arise circumspectly with both sets of stakeholders.

CONCLUSIONS

HEIs are aware of their stakeholders and do engage with these; they know what they expect from their stakeholders and vice-versa. In this regard, HEIs and their stakeholders want to be understood. Communication is essential at regular intervals: daily, weekly, monthly, etc often dependent upon the size and complexity of project. Stakeholders want information to be forthcoming at the right time irrespective of how often it is demanded. Thus, stakeholders should track the rates with which they supply diverse information to others to avoid unnecessary delays. The information supplied by/to stakeholders should also be honest and disseminated in an atmosphere of openness. HEIs should track the changing interests of their stakeholders and be proactive in doing so. They should sustain existing relationships, manage their stakeholders collectively and individually and follow any workable procedures they have laid down.

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