An investigation of stakeholder analysis in urban development projects: Empirical or rationalistic perspectives

Rebecca Jing Yang *

Senior lecturer School of Property, Construction and Project Management, RMIT University

Abstract

The increasing research interest in multi-stakeholder analysis in urban planning reflects a growing recognition that stakeholders can and should influence the decision-making of urban development projects. Methods for identifying and prioritising stakeholders and their interests are explored in this study, and two perspectives (empiricism and rationalism) for stakeholder analysis are proposed. Two case studies, one regional renewal project and the other an infrastructure project, are presented to verify the usefulness of these two analysis perspectives. The results from the case studies show that no one method for stakeholder analysis is perfect; the selection of analytical perspective is an art with extensive considerations of 'when, what, and how' to choose methods to achieve the project objectives. Applying both empirical and rationalistic perspectives and comparing the analysis results when necessary are proposed as the best way to analyse stakeholders.
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1. Introduction

In the field of urban development, studies usually refer to stakeholders as communities (Lawson and Kearns, 2010; Mahjabeen et al., 2008; Taylor, 2007), public (Innes and Booher, 2004; Oakely, 2007; Shan and Yai, 2011), and civics (Cuthill, 2004; Docherty et al., 2001; McLoughlin, 1969). However, no matter what terminology is used, the core concepts of those studies are to identify and analyse the interests of the organisations and individuals who have a stake in, or can influence, urban development projects, try to accommodate the conflicts among them and focus on the key issues in regional development.

In 1969 Arnstein proposed his 'ladder of participation': An eight-rung ladder of methods of engagement with the public, rising from 'non-participation' or public 'manipulation', right up to 'total-engagement' or 'citizen control' where the public holds the majority or all of the managerial power within the

project (Arnstein, 1969). Thereafter, a number of studies in urban development analysed the eight ladders, and selected and tailored their methods to an appropriate engagement level (Larson et al., 2010; Mahjabeen et al., 2008). Various methods, including interviews, forums, focus groups, surveys, and workshops, were proposed and compared for stakeholder engagement in practice (Forester, 1993; Larson et al., 2010). However, as Taylor (2007) stated, although an increasing emphasis is placed on policies on community (stakeholder) participation, many communities, especially the disadvantaged ones, are still on the margins in decision-making processes.

The unbalanced stakeholder engagement reflects the fact that democracy in urban development projects is more often rhetoric than realistic in practice. Furthermore, with the complex situation of rapid population growth, large net migration, irresistible climate change, energy and resource limitations in the nation, and the influences of the global economy (Major Cities Unit, 2010), policy makers are confronting significant challenges to address diverse interests, values and objectives, inherent among stakeholders. Therefore, which stakeholders' voices should have 'a place at the table' in urban development process is a dilemma for

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* Tel.: +61 423489826.
  E-mail address: mrliljj24@yahoo.com.

Table 1
Definitions of stakeholder analysis.

Scholars	Definitions
Gupta (1995)	[…] to identify and specify the stakeholders and their interests, domain and specificity; identify and describe the power relationships between the stakeholders and the firm, and among the stakeholders; incorporate the concepts of action and time.
Schmeer (1999)	[…] a process of systematically gathering and analysing qualitative information to determine whose interests should be taken into account when developing and/or implementing a policy or programme.
Varvasovazky and Brugha (2000)	[…] an approach, a tool or set of tools for generating knowledge about actors so as to understand their behaviour, intentions, interrelations and interests; and for assessing the influence and resources they bring to bear on decision-making or implementation processes.
Allen and Kilvington (2002)	[…] the identification of a project's key stakeholders, an assessment of their interests, and the ways in which those interests affect project riskiness and viability.
Mushove and Vogel (2005)	[…] a range of tools or an approach for understanding a system by identifying the key actors or stakeholders on the basis of their attributes, interrelationships and assessing their respective interests related to the system, issue or resource.
Weible (2006)	[…] to address a set of questions: who are the stakeholders to include in the analysis; what are the stakeholders' interests and beliefs; who controls critical resources; with whom do stakeholders form coalitions; and what strategies and venues do stakeholders use to achieve their objectives.
Jepsen and Eskerod (2008)	[…] identification of stakeholders; characterization of the stakeholders; decision about which strategy to use to influence each stakeholder.
Reed (2008)	[…] a process that: defines aspects of a social and natural system […], identifies stakeholders, and prioritises stakeholders for involvement in the decision-making process.
World Health Organisation (2009)	[…] to identify stakeholders that will influence your project; anticipate the kind of influence, positive or negative, these groups will have on your project; develop strategies to get the most effective support possible for your project and reduce any obstacles to successful implementation.

decision-makers and project teams. In order to efficiently obtain a full picture of stakeholders' concerns, and effectively manage antagonism, prejudice and conflicts between stakeholders (Robinson, 2005), it is important to consolidate and propose useful stakeholder analysis methods which can be applied practically in the area of urban development.

The aims of this paper are to identify stakeholder analysis methods, classify them according to their characteristics, and suggest best practice in stakeholder analysis of urban development projects. This paper is organised in the following manner: Section 2 provides the definition of stakeholder analysis; Section 3 proposes two perspectives for stakeholder analysis, namely, empiricism and rationalism, and emphasises two methods (Stakeholder Circle methodology and Social Network Analysis) from each stakeholder analysis perspective; and Section 4 presents two case studies to illustrate the practical application of the stakeholder analysis perspectives in practice, and discusses the outcomes of the findings in case studies, followed with a conclusion in Section 5.

2. Justification for stakeholder analysis

As shown in Table 1, previous studies proposed many definitions for stakeholder analysis. Scholars considered stakeholder analysis either as a process or as an approach to support decision making and strategy formulation. Almost all definitions cover the issues of identifying stakeholders and their interests, analysing stakeholders' impact, and thereby developing strategies. As Jones (2003: p581) stated, it is vitally important in urban development projects to "stress exactly who the participants (stakeholders) are". Furthermore, only if stakeholders' real interests are identified, can they be empowered sufficiently in urban development decision-making (Lawson and Kearns, 2010).

This paper proposes stakeholder analysis in urban development projects as a process with two key steps, namely, stakeholder identification and stakeholder prioritisation. Herein, stakeholder identification refers to development of a list of stakeholders and identifying their interests regarding urban development; stakeholder prioritisation refers to analysing stakeholders' influence on urban development, and decisions about which stakeholders' interests should be addressed preferentially.

3. Perspectives for stakeholder analysis

3.1. Classification of stakeholder analysis methods

Various methods potentially useful in stakeholder analysis, as proposed in the literature, are listed in Table 2. Although these scholars do not represent a complete picture of practical methods for stakeholder analysis, these methods facilitate the process of stakeholder analysis, and can be classified into two analytical perspectives, i.e. empiricism and rationalism, according to their characteristics. Table 3 shows the analytical perspectives of these methods.

Empiricism states that knowledge is a *posteriori*, and can only be gained, if at all, by experience (Markie, 2004). Hereby, it means that stakeholder analysis is conducted based on a stakeholder's, or a small group of stakeholders' (core stakeholders'), experiences. Freeman (1984) presented what has now become the empirical perspective of stakeholder analysis, in which the core stakeholders occupy a central position and have direct connections to all stakeholders. This model assumes that the core stakeholders have exhaustive information about stakeholder expectations and the decision-makers are then able to take optimal decisions. Stakeholders are usually identified by core stakeholders according to pre-defined categories, such as external/internal (Aaltonen and Sivonen, 2009), private sector/public sector/community/