



The influence of local community stakeholders in megaprojects: Rethinking their inclusiveness to improve project performance

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Abstract

This paper organizes and synthesizes different extant research streams through a systematic literature review to identify connections and major assumptions on the influence of stakeholders in major Public Infrastructure and Construction projects (PIC), at the local community level. Findings suggest that research on stakeholder management has focused strongly on those stakeholders able to control project resources, whilst the effect on the legitimate ‘secondary stakeholders’, such as the local community, remains widely unexplored. Due to the unavoidable impact of major PIC on both people and places, it is suggested that seeking local community opinions in the initiation phase of the project and monitoring the megaproject impact at the local level can help to improve project performance. The output provides scholars and practitioners with future research directions and practical implications for an inclusive stakeholder management approach in construction megaprojects.

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1. Introduction

The terms ‘major project’ or ‘major programme’ are frequently used interchangeably to define large public projects when referring to megaprojects (Flyvbjerg, 2014; Hu et al., 2014). When defining a ‘megaproject’ common characteristics in the literature include; a strategically-aligned set of multiple projects (Jaafari, 2004; Major Projects Association, 2014; Miller and Lessard, 2000), costs in excess of US \$500 million and that they take many years to complete (Sun and Zhang, 2011; The Federal Highway Administration of the United States, 2007). Megaprojects are becoming more ubiquitous with global infrastructure and spending is estimated to be US \$3.3 trillion for the period 2016 to 2030 (McKinsey Global Institute, 2016). This is the ‘biggest investment boom in history’ according to *The Economist* (2008), with the global infrastructure market continuing to grow between 6 and 7% yearly to 2025 (PwC, 2014).

Infrastructure spending is mainly driven by large-scale projects, and many more and larger Public Infrastructure and Construction projects (PIC) are being proposed and introduced as the preferred delivery model for goods and services (Flyvbjerg, 2014). Therefore, it is not surprising that construction megaprojects are attracting more attention as their growth results in an increased impact on people, budgets and urban spaces (Jia et al., 2011; Xue et al., 2015). Considered a built-in recipe for producing local impact, but not local benefits (Major Projects Association, 2014), megaprojects have seen little improvements in recent years and are often cluttered by misrepresentation and flawed decision making (Flyvbjerg, 2014). This paper stresses it is essential to minimize this through a better and inclusive stakeholder management approach, which will improve the performance of these projects. Improving infrastructure spending will enhance project selection and delivery and management of existing assets, which could translate into 40% savings (McKinsey Global Institute, 2016).

The poor performance of megaprojects highlights how managing time and cost has no direct impact on time and cost performance, with studies showing that nine out of ten such

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projects have cost and time overruns (Flyvbjerg, 2014). Not all megaprojects are complex, but almost all are complicated (Turner, 2014). To say a project failed because it is late and overspent, when it is almost impossible to judge the time and cost at the start is nonsensical (Atkinson, 1999; Turner, 2014); the project should be judged worthwhile by its benefits at a time and cost that made it valuable (Turner, 2014). Therefore, managing time and cost constraints is regarded as ‘firefighting’ to keep afloat, which leads to unrealistic estimates in order to meet goals, whilst ignoring setting the real benefits in the feasibility stage. The authors believe that benefits realization has a greater impact on project performance, and managing those ‘secondary’, but legitimate stakeholders such as the local community, will help manage the benefits by reducing planning misjudgment and increasing transparency and accountability in the project decision making process.

By exploring the literature, this study recognizes that projects and the stakeholders operating within them are considered a temporary organization (Hanisch and Wald, 2012; Söderlund, 2004; Turner and Muller, 2003). Nevertheless, Lundin and Söderholm (1995), Söderlund (2004) and Bakker (2010) assert that temporary organization approaches see projects as social systems, whereby behavior (not just decision-making) through social interactions is highly influenced by the context in which they are embedded. Projects are temporary and unique (Yang et al., 2011a, 2011b) and these characteristics require additional effort to generate trust between the project stakeholders (Grabher, 2002). Consequently, project managers need to be attuned to the cultural, organizational and social environments surrounding projects (Wideman, 1990). Therefore, the main theoretical background for this study draws on stakeholder theory, which is a recognized framework for analyzing the behavioral aspects of the project management process (Sutterfield et al., 2006). Taking into account the needs and requirements of both primary and secondary project stakeholders as an essential contributing element to better project performance provides a solid basis for stakeholder identification, classification and assessment (Cleland, 1986; Donaldson and Preston, 1995; Eskerod et al., 2015a, 2015b; Olander, 2007; Sutterfield et al., 2006), which are the first steps required for effective stakeholder engagement (Reed, 2008). However, project managers have mainly focused on technical skills and rigid procedures, and the political and social issues around megaprojects have been overlooked and stakeholders poorly managed (Flyvbjerg, 2013). Research has narrowly focused on those actors important to the project’s economic interests, such as suppliers, sponsors and customers (Aaltonen and Kujala, 2010; Eskerod et al., 2015a, 2015b), overlooking the human social needs around project developments.

In fact, current project stakeholder practices represent mainly a ‘management-of-stakeholders’ approach where stakeholders are seen as providers of resources (Huemann et al., 2016). This approach offers an instrumental perspective to stakeholder management which aims to make the stakeholders comply with project needs (Derry, 2012; Eskerod and Huemann, 2013). However, especially in the last decade, the literature shows a growing interest for more ethical and sustainable projects and a conscious endeavor for fairness and engagement of all stakeholders through a

‘management-for-stakeholders’ approach (Eskerod and Huemann, 2013; Eskerod et al., 2015a, 2015b; Freeman et al., 2007). The seminal work of Freeman (1984), notes that the management-for-stakeholders approach offers an inclusive and holistic perspective which aims to engage with a broader group of stakeholders, who could be harmed by the organization’s strategy, by meeting or exceeding their needs and expectations and balancing the projects’ economic, ecologic and social interests. In this paper, the authors analyze the local community regularly affected by major PIC projects and how the stakeholder interests often differ from those of the project (Choudhury, 2014; Newcombe, 2003; Teo and Loosemore, 2014). For instance, understanding and minimizing the effect of megaprojects on people and places can help manage project benefits by rethinking a tailored approach for the local community, which will help project managers improve accountability and transparency in their decision making by moving towards more ‘community-inclusive’ megaprojects (Bornstein, 2010).

Due to a project’s limited resources, project managers cannot always address the concerns of every potential stakeholder and the prevalence of the instrumental perspective in stakeholder management is thus evident (e.g. Bourne and Walker, 2005; Johnson et al., 2005; Mitchell et al., 1997). However, it is believed that a broader view that takes into account the ‘less important’ secondary actors is highly essential in the context of major PIC projects. Nevertheless, although the literature on megaprojects is moving forward, there has not been an academic effort to identify, summarize and articulate the underlying assumptions that make the ‘management-for-stakeholders’ approach beneficial (or not) to megaproject performance. What is noticeable is the inefficiency of the classic stakeholder’s methods to capture and include the views of a broader range of stakeholders. This has not only prevented a more inclusive approach to stakeholder engagement, but has reinforced the lack of public support that megaprojects are historically facing. Therefore, by undertaking a Systematic Literature Review (SLR) of stakeholder management practices in PIC, the authors try to identify those assumptions worthy of being challenged (Alvesson and Sandberg, 2011) by proposing future theoretical and empirical developments in the project stakeholder management field. Whilst different studies provide valuable insights into local community influence on project outcomes (e.g. Eesley and Lenox, 2006; Teo and Loosemore, 2011), they overlook the literature concerning the outcomes of megaprojects affecting the local communities’ social needs in such projects. Reviewing the literature focusing on local communities in megaprojects is important from both theoretical and managerial perspectives, because they can negatively impact the project (Olander and Landin, 2008; Teo and Loosemore, 2014).

It is evident that stakeholder management procedures at the micro level of PIC projects have not been fully evaluated and, to date, the understanding of the megaproject impact at the local community level and how this can be minimized through a more inclusive approach to stakeholders’ engagement remains marginal. This study consolidates the disparate literature to identify the issues which have prevented, to date, a full integration of a holistic approach to stakeholder engagement in PIC projects,

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