

# Systemic Stakeholders' Management for Real Estate Development Projects

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## Abstract

**Purpose:** This paper aims to investigate the stakeholder management system, within the real estate industry, and in light of the theories on negotiations and decision-making processes.

**Design/Methodology/Approach:** This article critically reviews research from real estate and management literatures to systematize what we already know about stakeholder management within real estate development projects.

**Findings:** The literature has indicated analysis as an external stakeholder should follow the following steps: i) identify the external stakeholders, ii) estimate their needs and interests, iii) analyse the potential impact these can have on decisions about the project, iv) evaluate solutions for the implementation of the project while respecting the interests of the stakeholders.

**Originality/value:** The influence of these subjects on real estate development projects is increasingly crucial to the success of the project itself. Therefore, it is important to identify additional management tools that allow the real estate firms to reduce problems and disputes arising from the injury of the interests of the external stakeholders. The paper is developed through a critical recognition of the literature. Discussion of literature review's results and implications for future research follow. Finally, a theoretical model for a systemic stakeholders' management is developed.

**Keyword:** Literature Review, Conceptual Paper, Stakeholders' Management, Real Estate Development Projects, Conflict Management

## Introduction

The scholarly attention to the managing of construction projects, over the past years, has been flourishing (Abatecola, Caputo, Mari & Poggesi, 2013). The design and construction of real estate work can affect a variety of interests. The creation of better roads, better housing and better living standards could be included among the positive effects. However, construction projects inevitably involve a degree of deterioration and change at local level, which is not limited only to the construction site. The representatives of these affected interests are called project's stakeholders. A stakeholder, therefore, is any individual or group of individuals, which may influence or be influenced, regarding the realization of the purpose of an organization (Freeman, 1984). They can be divided according to whether they are internal or external to the organization itself (Gibson, 2000): those who are affected by the project in significant ways, but are not directly involved with the project - such as local residents, the community, the public interest, other companies - are called external stakeholders.

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The traditional view of management of the interests of these subjects is represented by the formal process of design, through rules and legal regulations regarding the construction site. The growing tendency, on the part of some stakeholder groups, to influence the implementation and construction of a project (Roulac, 1999; Altherr et al. 2007; Azadi et al., 2011), and the consequent growth of conflicts and disputes (Azadi et al., 2011) have proven inadequate the traditional measures of stakeholder management. It is, therefore, important to identify additional management tools that allow the company to reduce real estate problems and disputes arising from the lesion of the interests of external stakeholders. In order to adequately develop a process of management of external stakeholders, firms need an analysis of needs and interests of such entities in relation to the objective of the project they want to accomplish. This process should address such questions as: who are the internal and external stakeholders of the project? What are the needs and interests of various stakeholders? How can those needs and interests be met without compromising the objective of the project?

Ideally, an analysis of external stakeholders should follow these steps:

- Identify external stakeholders;
- Assess their needs and interests;
- Analyse the potential impact these can have on decisions regarding the project; and
- Evaluate solutions for the implementation of the project, all of which must respect the interests of stakeholders.

The present work is developed through a critical recognition of the literature on this subject, aimed at deepening the research question to which I would like to help to give an answer. Discussion of literature review's results and implications for future research then follow. Finally, a theoretical model for a systemic stakeholders' management is developed.

### **The Importance of Stakeholders in Negotiation Theory**

Negotiation is a process, which is an essential and fundamental moment for the life of firms. Group decision-making literature defines negotiation as a joint decision-making process (Zartman, 1977, Rubin and Brown, 1975, Garrone, 1914) between two or more interdependent parties (Gulliver, 1977, Thompson, 1967). These parties have different preferences and interests partially in conflict, and are driven by an opportunistic nature (Raiffa, 1982, Pruitt, 1981). The process of negotiation can end with an agreement, usually reached through a creative research activity (Lax and Sebenius, 1986).

The so-called "negotiation theory" is a prescriptive approach to negotiation that has emerged in the 80s as a synthesis between the economic-mathematic approaches and the socio-psychological approaches. The main works to consider in this literature are two: the Fisher and Ury's (1981), closer to the psychological and behavioural doctrines and influenced by them, and the Raiffa's (1982), closer to the game theory and the mathematical and statistical disciplines. These works, to which, among others, is associated the Lax and Sebenius' (1986), contribute to the spread of the negotiation theory in management studies.

This theory implies the concepts of "bounded rationality", thus actors are seen as not perfectly rational, with emotional and cognitive limitations (Simon, 1957, Cyert and March, 1963). Due to bounded rationality and information asymmetry actors lack a perfect and common knowledge of the situation, the possible interests, and the counterpart's behaviours (Lax and Sebenius, 1986).

Sebenius (1992), from the Harvard Program on Negotiation, grounded his research on the following assumptions:

- On the one hand he assumes that the probability assessments about the events, and related outcomes, are brought back to the parties and not to the configuration of the game, while on the other hand, the subjective perceptions of the parties assume critical importance; hence, the “radical subjective perspective.”
- He admits the possibility of the existence for inefficient agreements; hence, the “possibility that the parties leave value on the table.”
- He assumes the need for a positive zone of possible agreement, so that there is an opportunity for the parties to reach an agreement; hence, the “Focus on the Zone of Possible Agreement.”

The ZOPA (Zone of Possible Agreement) can be defined as the intersection between the sets representing the different configurations of interests of the involved parties, and can be represented by an Euler-Venn diagram.

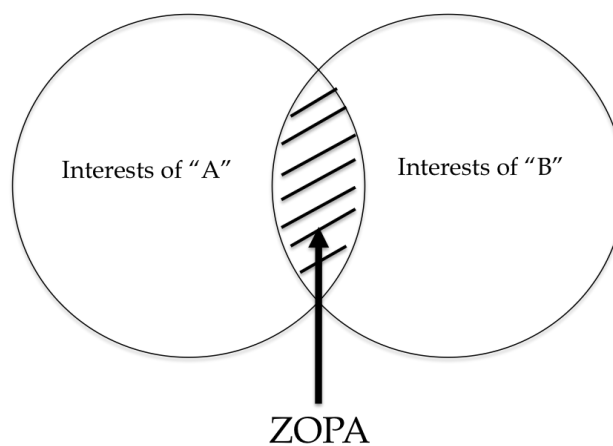


Figure 1: A graphic representation of the ZOPA

Over the years, studies have questioned mainly about how to locate, expand, or even create the ZOPA. This was done by identifying as the main approach the strategic manipulation of the elements of the “negotiation structure”. The negotiation structure is defined as a set of components and relationships between components that is at the basis of negotiation as a joint decision-making process (Gatti, 2008).

The negotiation structure is composed of three basic elements: i) the involved parties; ii) the issues to be negotiated; and iii) the preferences, and thus the interests of the parties. This approach allows the classification of negotiations on the basis of:

- number of parties: we can distinguish between the bilateral, or dyadic negotiations, and the multiple parties, or multilateral negotiations (Raiffa, 1982). The parties, likewise, can be configured as individual or collective, depending on whether the parties are individuals or groups/organizations.
- number of issues: we can differentiate single-issue negotiations from the multiple-issue negotiations (Raiffa, 1982, Sebenius, 1983).
- configuration of the interests of the parties: we can distinguish the distributive from the integrative negotiations. The former are also known as win-lose - or fixed pie - and are configured for conflicting interests of the parties. The seconds

are defined win-win – or expandable pie - because of the possibility of reaching an agreement satisfactory to all parties (Pruitt, 1981).

The literature generally stresses the different dynamics of development of such negotiations from the bilateral negotiations, according to three dimensions: i) wider size, ii) greater complexity, and iii) increased diversity (Kramer, 1991). In the multilateral negotiations several heterogeneous parties and stakeholders participate, each with its own configuration of interests and issues. This helps to expand the subject of negotiation and thus to aggravate the process (Caputo, 2012).

Sebenius (1983, 1992) was among the first to identify the possibility of changing the game as a distinctive element of the negotiation process. The scholar points out how the elements of the negotiation structure are subject to change during the negotiation process; on the one hand it is an implicit and natural evolution of the process itself, on the other it can be strategically guided by the parties. This manipulation, known as Negotiation Arithmetic, lets parties change the elements of the structure in a strategic way. This, together with the adoption of a conduct aimed by the so-called creating value or by the so-called claiming value, allows the parties to move the negotiations from a distribution side to an integration side, and vice versa, depending on the objective the parties want to achieve (Caputo, 2012).

The adding of issues, which exploit differences of interest between the parties, may be a useful strategy to create value by extending the ZOPA. Conversely, it can have adverse effects by complicating the negotiation process or destroying the possibility of solving other issues. The setting aside or the separation of issues can simplify the negotiation process, but can lead to complications for the achievement of agreements on other issues. Thus, there are trade-offs that must be evaluated.

Similarly, parties can strategically manipulate the interests through appropriate actions, such as links between issues, whether inside or outside the negotiation (Lax and Sebenius, 1986).

According to the approach of Sebenius, another possible strategy to shift towards an integrated approach is to manipulate the number of parties. This may be done by the same negotiation actors or by external facilitators.

The presence or absence of an interested party may be required to reach an agreement and can also exert a significant influence on the conduct of negotiations. It is clear that the change in the number of parties and issues, especially in the case of an increase in abundance, leads to the complications in the negotiation process. Claims about Sebenius (1983:308): “the more parties (and issues), the higher the costs, the longer the time, and the greater the informational requirements for a negotiated settlement. Manipulation of the parties can alter these characteristics.”

The adding of parties to the negotiation can highly be beneficial if these parties have tangible interests or could specifically influence the negotiation process (Caputo, 2012). Encouraging these parties is likely to reinforce an existing coalition or help to form one, thanks to leverage provided by links with new interests and issues. On the other hand, releasing parties from a negotiation may happen for several reasons: to reduce the complexity of the negotiation process, to reduce information costs, or to implement agreements shared by the majority of the original participants.

It is of utmost importance that businesses, which face today's market turbulence, must have proper stakeholder management, especially in real estate development process. In this context, in fact, the critical issues, which the company may go against, are very important.

### **Decision-Making for an Integrated Stakeholders' Management in Real Estate Development Projects**

In order to identify and properly handle these subjects it is important to the firm to adopt appropriate and systemic tools. In the literature, the scope of study of these instruments is called decision-making, therefore, the following section presents a theoretical overview of the main theories about it.

If an integrated stakeholders' management is not settled up, and its importance is underestimated, the main risks to which a real estate development project could go toward are:

- The local community is frustrated in not being able to influence the planning and implementation of the new project;
- Information provided to external stakeholders may not be correct, timely and appropriate;
- Incorrect identification of the interests of external stakeholders;
- Ineffective response to the actions, both legal and substantive, in place against the project by external stakeholders to protect their interests; and
- The project itself is ineffective when it comes to fitting with the local context.

These risks are mainly due to inadequate analysis of how decisions about the project may affect the interests of external stakeholders and, consequently, how they can influence those decisions.

If the potential impact of a proposed new building is not adequately communicated towards the external stakeholders in the early stages of the project, this can lead to disputes and conflicts, which in some cases may include the construction site, the size and appearance of the building. Therefore, the ability to be attentive to the needs of the local community is considered an important factor in planning and siting a real estate development project (Rogers, 1998).

The experience of the tunnel under the English Channel, for example, is important in understanding the importance of proper analysis and management of the interests of external stakeholders in a project. In that case, there has been an on-going period of adverse climate of public opinion, which could be reduced through greater attention to the needs of the local communities, even involving them directly in the construction (Lemley, 1996). Italy, currently, is experiencing significant delays and problems with implementation of the high-speed train corridor in Val di Susa, where local communities complain of a lack of involvement in the project.

These two examples are projects of enormous size. The problems associated with the influence of external stakeholders are not, however, limited to projects of this size. In fact, such an influence, although not finding space in the chronicles, is equally important in smaller projects. All real estate development projects, regardless of size, can be slowed and sometimes blocked by processes of disputes and conflicts with external stakeholders. In such cases the problems are considerable, just think of the economic and fiscal impacts that the stop-work on a construction site may have.

A project's failure, in addition to purely technical reasons, can also be due to cultural reasons. The ineffective communication of benefits and costs arising from the project, lack of involvement of key external stakeholders, and the consequent difficulty/impossibility of reaching a satisfactory agreement with the stakeholders on the redistribution of these costs can lead to the project's failure, both for the company real estate development, and for the local community (Dorshimer, 1996).

Improper and arbitrary decision-making processes, that appear to be purely technical issues, often become factors of friction with stakeholders, shifting the focus from a technical matter to an issue of political power (Connor, 1988).

In order to adequately develop a process for management of external stakeholders, firms need an analysis of the needs and the interests of such entities in relation to the objective of the project the firm wants to accomplish. This process should address such questions as: who are, both internally and externally, the stakeholders of the project? What are the needs and interests of various stakeholders? How they can be met without compromising the objective of the project?

Studies on the external stakeholders in the housing projects were derived from the theories concerning the analysis of corporate stakeholders. Some studies, recently developed, contribute to the attempt to identify appropriate tools for the mapping of external stakeholders in relation to real estate development projects (Winch and Bonke, 2002; Newcombe, 2003; Bourne and Walker, 2005). According to these studies, an ideal and exemplary process of stakeholder management should follow the following steps:

1. Identify external stakeholders;
2. Assess their needs and interests;
3. Analyse the potential impact these can have on decisions regarding the project; and
4. Evaluate solutions for the implementation of the project, all of which must respect the interests of stakeholders.

Another line of studies, however, has been developed in economics, sociology and engineering about the so-called NIMBY (Not In My Backyard) concerning the dynamics of conflicts and disputes (Connor, 1988; Dorshimer, 1996).

The main problem, then, is that when you decide to make a real estate development project, it is inevitable that the process will adversely affect some external stakeholders. (Dorshimer, 1996). Even from a psychological standpoint, the change of the existing situation to which the human being is accustomed, results in significant resistance (Connor, 1988). It is important to understand these issues and provide tools suitable for gradually solving problems. Thus, in the next section I will move the focus to behavioural research on decision making, with particular reference to the real estate industry.

### ***Outline on Behavioral Decision-Making Research in Real Estate***

The studies on behavioural decision making, regarding experts in the field of real estate, derived its development from the research on human cognitive processes, with particular reference to the information processes.

The theoretical background traditionally relies on the study by Newell and Simon (1972), whose theory of human problem solving sees the human mind with a bounded rationality in information management. In this regard the ability to solve complex problems is a function of these limits.

It is obvious, as in other disciplines, that problem-solving theories have influenced decisions regarding research on real estate.

An important line of studies on decision-making and behaviour of individuals is one that analyses the so-called “decision traps.” In this area, one of the most famous interpretations was provided by Hammond, Keeney and Raiffa (2001), who proposed the concept of hidden traps for considering all those situations in which the human brain

makes predictable irrational decisions. It is interesting, for the purposes of this paper, to provide a brief explanation of the main pitfalls.

- The anchoring trap occurs when the decision maker is influenced in providing an evaluation or analysing data from a previous information. The mind gives disproportionate weight to the first information it receives and provides links to the estimate. Thus, the initial impressions, estimates or data anchor subsequent thoughts and judgments.
- The status-quo trap relates to the decisions made regarding an optimistic assessment of the alternatives that tend to maintain the status quo. People feel safer in choosing between alternatives that do not require real change. Connected to this trap is the tendency to postpone the decision rather than make it in a timely manner.
- The sunk-cost trap occurs when decisions are made to justify past choices, even when they were proved to be wrong. Rationally, the decision makers know that sunk costs should not be taken into account when making decisions, but empirical evidence reveals the opposite.
- The confirming evidence trap relates to the decision maker seeking information that supports their existing instinct or point of view, they tend to exclude the information that contradicts them. This trap implies a reduction of the spectrum of information that is analysed, thereby excluding possible better alternatives.
- The framing trap occurs when the decision is greatly influenced by how the question was posed.
- The estimating and forecasting trap is that every human individual tends to overestimate his or her own abilities in estimating phenomenon. This can lead to misconceptions, and consequently, erroneous decisions.

Inspired by studies on heuristics in problem solving (Tversky and Kahneman, 1974) the research topic concerning the so-called biases, i.e. decision-making traps, in judicial evaluation is of particular importance and interest for research on decision making in real estate. Gallimore (1994), in an interesting study on real estate appraisal, found that experts rely more on information considered more recent even if less important. This study shows, in fact, that there is a confirmation bias in the evaluation process of a property: experts develop a preliminary opinion, and then seek evidence in support it.

The overestimation bias affects the assessments developed by those who have less experience (Havard, 1999), as they are more likely than those with experience to adjust in rising real estate assessments. The anchoring to values provided by unreliable sources is another bias to which real estate valuations are subject. In fact, studies reveal that the assessments made in markets to which the expert is not familiar are mainly influenced by assessments made by other assessors, or by the values of similar properties (Diaz and Hansz, 1997). This does not happen to the markets in which the evaluator has a strong experience (Diaz and Hansz, 1997). The anchor is also present with regard to the updating of assessments over time (Diaz and Wolverton, 1998). In this case, the evaluators tend to cling to the value expressed in the previous evaluation. Evaluators tend to adjust more than the previous value rather than to seek a new one, with current information.

The feedback process, mainly by the customer, is another factor that affects the formation process of property valuation. Some studies have identified how evaluators tend to change their assessment in response to customers' pressure (Kinnard et al. 1997;

Wolverton and Gallimore, 1999). Thus, the psychological pressure reduces value's objectivity.

Also in real estate's negotiations, an important role is taken by the anchor trap. In fact, the role of sales price has been widely explored in the literature (Black and Diaz, 1996; Black, 1997; Diaz et al., 1999; Aycock, 1999). These studies, through experiments on students and industry experts, have identified that too much weight is given to the sales price. This trend is also confirmed when the reserve price is definitely not congruent with the information available to the participants. A crucial factor is the initial value of the request: it appears that a very high initial demand affects the result of negotiations much more compared to a lower selling price.

The corporate real estate divisions, which are often perceived as a cost within the organization, have a significant impact on the issue of human resources. The companies, mostly Anglo-Saxon, are spending more and more on the management and exploitation of the working spaces. Many studies, in fact, relate positive productivity, satisfaction and retention of workers with a good working environment (Palmer, 1999; Dobrian, 1999, Davis, 1995; McShulskis, 1996). Increasingly more companies invest in creating the workplace of services such as day-care, cafeteria, gym, shops for basic needs, all with an increasing attention, even by workers, to ergonomic factors (Barreneche, 1997; Goldman, 1997; McMahan and Phillips, 1999).

### **Developing a Systemic Stakeholders' Management**

The integrated stakeholders' management requires a systemic approach for solving the proposed problem (Golinelli, 2000). The underlying assumption of the systemic approach is that the result of interactions between parties and participants is different, and greater, than the sum of these parties (Cafferata, 2009). This implies it is important to study the system's relations in its entirety and complexity rather than the different parts of it.

As mentioned, the influence of external stakeholders in real estate development projects can be studied from a variety of perspectives. There is a political aspect, regarding democracy, correlated with the right of citizens to influence decisions affecting their local community. Linked there is, of course, the legal issue regarding rules and legislation concerning the buildings' construction, urban planning and environmental issues. There is also the aspect of sustainability (Lee and Atrick, 2001; Doran, 2006; Simon, 2007), with reference to how the development of a new building influences, now and in the future, the economic, ecological, social and cultural conditions of external stakeholders.

In this paper I have chosen, even taking into account these elements, to analyse the problem from a managerial point of view. An analysis of the literature has shown that a good project manager should have a good knowledge about:

- External stakeholders;
- The nature of their demands;
- Their influence on decisions concerning the project; and
- The effect of the implementation of the project on the influence of external stakeholders.

These issues are an integral part of the analysis within the stakeholder's management process.



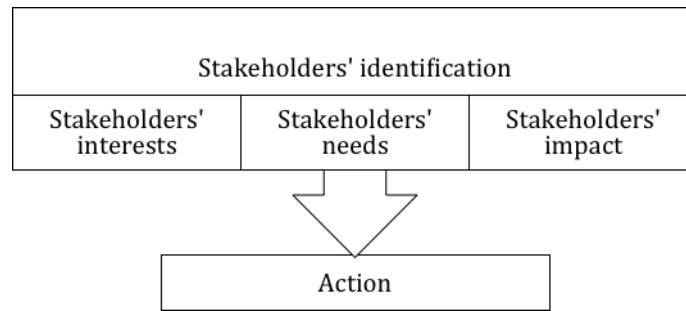


Figure 2: The stakeholders' management process

The external stakeholders' management is an essential part of the management process of each project. The quality management systems, as well as the best project management practices, emphasize the importance of identifying and managing all the dynamics associated with the relevant stakeholders in order to ensure project's success (Epley, 2004; ISO 2003). Project managers, therefore, should identify and interact with the institutions and individuals who are part of the reference's environment of the project. An important aspect of management of the real estate development projects is the ability to organize the process in a systemic way in order to be able to identify and manage any likely stakeholders and determine how they might react to decisions about the project (Cleland, 1999).

The main definition of stakeholders is provided by Freeman (1984): a stakeholder is any individual or group of individuals who may have influence, or be influenced, on the realization of the purpose of an organization.

This approach, also followed by the quality management control systems, has been criticized for being too broad in the identification of stakeholders (Mitchell et al., 1997; Sternberg, 1997; Phillips, 2003). The debate is open on the concept, and the emphasis given to it, of those who have an interest in the work of the company. In this regard, Mitchell et al. (1997) pose this problem by analysing the three main attributes of a stakeholder - power, legitimacy and urgency - in the effort to define the concept of interest. According to this approach, therefore, a stakeholder can be defined in terms of possession of one or more of these characteristics.

McElroy and Mills (2000) propose an alternative definition for the stakeholders of a real estate development project, identifying them in people or groups of people with a vested interest on the success of the project or on the changes that affect the environment.

The debate is still open mainly regarding the bureaucratic aspect. Concerning the present work, it is useful to adopt a broader definition, which could spearhead the company's management to identify the various instances that could jeopardize the success of the project.

Freeman (1984) connects the concept of stakeholder views of the different companies. In the theory of production, the main concern is related to the transformation process of input versus output, which means that the stakeholders considered by this theory are the suppliers and customers.

A more complicated model is the one that refers to the managerial vision, where apart from suppliers and customers, managers must also pay attention to the property and employees. However, Freeman (1984) identified that the main difficulty lies in understanding the changes that arise from the environment of the company and how it affects the ability to survive in it. The external changes generate uncertainty, which cannot be readily assimilated by the relatively more peaceful relationship with suppliers, properties, agencies and workers.

These changes can have a particularly strong effect on a project, as the environment changes from one project to another. This is particularly true in real estate development projects with a specific construction site, because of the external changes to the surrounding environment due in part to the implementation of the project itself (Altherr et al. 2007). In the literature on project management, there is a strong tradition for the study of problems related to the external environment (Crawford et al. 2006). There are examples also in the construction literature (Winch and Bonke, 2002; Newcombe, 2003; Bourne and Walker, 2005), although the emphasis is given, again, to the internal stakeholders. There is, therefore, a need to emphasize the importance of the external environment.



Figure 3: Potential stakeholders for a real estate development project (adapted on Cleland, 1999)

The internal stakeholders can be defined as those who are formally related to the real estate development project in question - property, customers and employees - while external stakeholders can be defined as those who in some way may affect the project (Gibson, 2000). The figure represents a schematic view of stakeholders regarding a real estate development project divided between internal and external; this paper intends to focus mainly on the external, as mentioned.

In order to adequately analyse the influence of external stakeholders, the first step is to identify them. Then, there is a need to identify the dynamics of the environment and the power of these in relation to the organization and real estate development project (Mendelow, 1981).

Johnson and Scholes (1999) develop, on the basis of previous work, a power-interests matrix. This examines the degree of interest that each stakeholder group has in impressing their expectations on decisions about the project, together with the extent of power they can exercise.

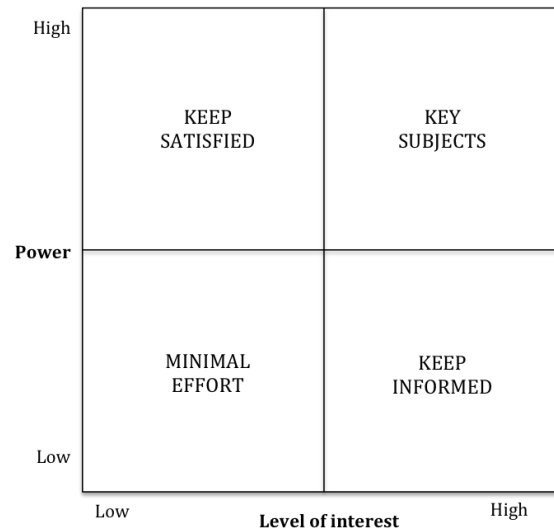


Figure 4: The power-interest matrix (Johnson and Scholes, 1999)

By locating the external stakeholders in the power-interest matrix, the firm can understand how the influence of these subjects develops during the implementation of the project. Studies show clearly how the influence exerted by the external stakeholders can vary, sometimes dramatically, depending on the phase of implementation of the project (Winch and Bonke, 2002; Newcombe, 2003).

Although the power-interest model is useful, there are some problems associated with it. In fact, it is still controversial when it comes to measuring the variables and constructing on an ordered scale. Instead of considering power and interest, it could be more relevant to assess the level of potential impact and the likelihood that this condition may occur (Bourne and Walker, 2005). Bourne and Walker (2005) have developed this concept in an index of interest-impact. Variables are the level of interest/likelihood of impact and the level of influence/impact level, placed on a scale of 1 to 5. Mitchell et al. (1997) propose, instead, a measure of a number of characteristics of the stakeholders, to measure the potential influence and power, legitimacy and urgency.

A stakeholder may have the power to impose its will in dealing with the company. The power of these subjects may arise from their ability to mobilize social and political forces, as well as the ability to retract resources from the project (Post et al., 2002). Legitimacy can be defined as the degree of risk that a stakeholder may have in relation to the development of the project, both positive and negative. The dynamic character of the influence of stakeholders is considered by the variable urgency, defined as the degree to which the demands or interests require immediate attention. For any given time, some stakeholders may be more important than others (Jawahar, 2001), so the request and priorities change with time passing, new groups of stakeholders and configurations appear in response to changing circumstances.

Depending on the possession of one or more of the characteristics described above, Mitchell et al. (1997) divided the stakeholders into seven different categories.

**Dormant stakeholders:** those who have the power to impose their will on the project, but their power remains dormant because they do not have legitimizing or urgent requests. These stakeholders have almost no interaction with the company. However, the possibility of acquiring a second feature raises the question for the manager to keep them under control and under consideration.

**Discretionary stakeholders:** those who possess the characteristic of legitimacy, but have no influence on the project nor do they possess urgent requests. For this group there is a need for the manager, in the absence of power and urgency, to relate with them.

**Demanding stakeholders:** they have urgent requests, but have no power or legitimacy. When stakeholders cannot or will not bring their claims in a position of greater status, urgency characteristic is insufficient to move the position of latency. Dormant, discretionary, and demanding are defined by Mitchell et al. (1997) as latent stakeholders. Their degree of salience is low.

**Dominant stakeholders:** are both powerful and legitimate. The expectations of these are usually perceived by managers as highly regarded. The dominant stakeholders expect and receive the most attention by firms, but they represent only part of the complex set of stakeholders with which managers should report.

**Dangerous stakeholders:** those who have urgency and power of influence, but no legitimacy. These stakeholders can become coercive and violent, making themselves literally dangerous to the project. Consider the case of the HST in Val di Susa, Italy. The actions of these individuals may also be dangerous for relations with other stakeholders, individuals and entities involved with the project.

**Dependent stakeholders:** those who, without having power to influence, possess urgency and legitimacy in their claims. They are considered dependent because they can acquire the necessary power only through other stakeholders. Dominant, dangerous and dependent are defined by Mitchell et al. (1997) as expectant stakeholders. Their degree of salience is, thus, moderate.

**Definitive stakeholders:** have a high degree of salience, as possessing all the characteristics presented. When a stakeholder has power, legitimacy and has an urgent request, managers should handle them very carefully and with appropriate priority.

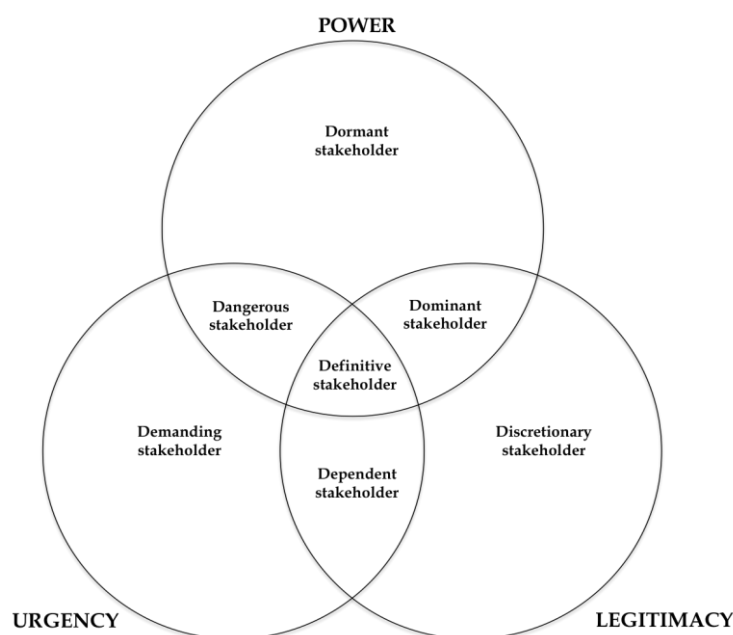


Figure 5: Classes of Stakeholders (Mitchell et al., 1997)

A further problem concerning the analysis of the influence of external stakeholders is the evaluation of the position in which every stakeholder is in with reference to the project (Cleland, 1986; Winch and Bonke, 2002), where position means if a stakeholder is in opposition or in support of the project. McElroy and Mills (2000) offer five different levels regarding the position that can be taken by one stakeholder: active opposition, passive opposition, indifferent, passive support and active support. The position taken determines the direction of the impact that the stakeholders will have regarding to the decisions concerning the project. In addition, the position taken is mainly due to concerns related to their needs in relation to the project and, especially, the treatment received by the managers of the company. The union of these two values constitutes what is commonly called the level of acceptance of stakeholders. This variable, in fact, defines the position on the project and the intensity and direction of influence exerted by stakeholders.

	Active opposition	Passive opposition	Indifferent	Passive support	Active support
Dormant stakeholders					
Discretionary stakeholders					
Demanding stakeholder					
Dominant stakeholders					
Dangerous stakeholders					
Dependent stakeholders					
Definitive stakeholders					

Figure 6: Stakeholders' management map

By mixing these early theories, in particular the Mitchell et al. (1997) and the McElroy and Mills (2000) approaches, it could be possible to develop a stakeholders' management map (Exhibit 5). By mapping the stakeholders in a systemic approach, managers can make proper decisions and actions in order to attenuate the oppositions and to accentuate the supports. By focusing on both sides of the stakeholders' intervention, managers can increase the project's success.

The level of acceptance is, because of its composition, based on the ability of the management to accommodate stakeholders' interests to maintain, or increase, the level of acceptance received through effective stakeholder management process (Phillips, 2003). The key aspects of this process are to:

- Maintain a building of trust;
- Report all positive and negative consequences related to the project; and
- Implement the project in order to reduce the potential negative impacts on the surrounding environment.

In the organization, the role of design and management of this process should be assigned to a project manager. The communication and implementation of the construction project should be carried out in order to realistically present the positive and negative externalities received by the environment, to minimize the effects of the negative impacts and, where possible, to maximize the positive impacts for all the stakeholders.

## Conclusions

This paper has attempted to provide an understanding of the influence of external stakeholders in real estate development projects and to develop a theoretical model of analysis of same. The work critically reviewed international studies on stakeholders' impact.

As previously stated, one of the criteria to gain acceptance by the stakeholders is to take into account their needs and interests in the project management process. It is important to analyse them in the decision-making process that regards the project. In fact, recent literature suggests the integration of the feasibility's analysis of the project with a stakeholder analysis (Altherr et al. 2007; Azadi et al., 2011). This activity should integrate the stakeholder analysis with the analysis of the specific conditions and general conditions relating to the project.

The first is an analysis of those conditions that are specific to the construction site and the environment surrounding the real estate development project. This is described by economic, ecological, social and cultural variables. The inputs consist of the requirements and the objectives that arise over the ownership and the real estate development company in the project's construction; hence, this requires a sustainability impact assessment taking into account these aspects (Meadowcroft, 1997).

The second takes into account the environmental policies and environmental management system, as well as legal regulation and general economic trends. To these, however, the set of general concerns raised by external stakeholders is supplemented (Mendelow, 1981; Altherr et al. 2007).

By having assessed the general and specific conditions of the project, these should be translated into goals and priorities, with respect to the objective of the project and the concerns of external stakeholders. A well-defined objective is composed of three components: an object - what is evaluated, a direction of the preferences and a decision-making context (McDaniels, 2000).

A clear and transparent identification of alternative solutions for the development of construction, based on the needs and interests of stakeholders, would help the development company to establish a basis of trust with the surrounding environment. In this regard, it would be useful to emphasize all the positive and negative aspects of the project for each option.

In conclusion, stakeholder analysis is viewed as a dynamic process itself which will influence the nature of the stakeholders' impact. In addition, groups of stakeholders and the nature of their impact may change considerably over time, which means that firms must set up an iterative process of managing this issue. The systemic stakeholders' management approach allows managers to structure and analyse information about stakeholders and their impact on project decisions. Their impact, therefore, also depends on the expressed needs of interests, and the degree of satisfaction they receive without compromising the main objective of the real estate development project.

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