

## **What is Stakeholder Analysis?**

Stakeholder Analysis (SA) is a methodology used to facilitate institutional and policy reform processes by accounting for and often incorporating the needs of those who have a 'stake' or an interest in the reforms under consideration. With information on stakeholders, their interests, and their capacity to oppose reform, reform advocates can choose how to best accommodate them, thus assuring policies adopted are politically realistic and sustainable.

Although Stakeholder Analysis originated from the business sciences, it has evolved into a field that now incorporates economics, political science, game and decision theory, and environmental sciences. Current models of SA apply a variety of tools on both qualitative and quantitative data to understand stakeholders, their positions, influence with other groups, and their interest in a particular reform. In addition, it provides an idea of the impact of reform on political and social forces, illuminates the divergent viewpoints towards proposed reforms and the potential power struggles among groups and individuals, and helps identify potential strategies for negotiating with opposing stakeholders.

## **Who Are Stakeholders?**

A stakeholder is any entity with a declared or conceivable interest or stake in a policy concern. The range of stakeholders relevant to consider for analysis varies according to the complexity of the reform area targeted and the type of reform proposed and, where the stakeholders are not organized, the incentive to include them. Stakeholders can be of any form, size and capacity. They can be individuals, organizations, or unorganized groups. In most cases, stakeholders fall into one or more of the following categories: international actors (e.g. donors), national or political actors (e.g. legislators, governors), public sector agencies (e.g. MDAs), interest groups (e.g. unions, medical associations), commercial/private for-profit, nonprofit organizations (NGOs, foundations), civil society members, and users/consumers.

## **Major Attributes to Consider**

Four major attributes are important for Stakeholder Analysis: the stakeholders' position on the reform issue, the level of influence (power) they hold, the level of interest they have in the specific reform, and the group/coalition to which they belong or can reasonably be associated with. These attributes are identified through various data collection methods, including interviews with country experts knowledgeable about stakeholders or with the actual stakeholders directly.

The level of influence depends on the quantity and type of resources and power the stakeholder can marshal to promote its position on the reform. The level of interest or salience is the priority and importance the stakeholder attaches to the reform area. Broadly, these attributes signal the capability the stakeholder has to block or promote reform, join with others to form a coalition of support or opposition, and lead the

direction/discussion of the reform. SA therefore provides a detailed understanding of the political, economic, and social impact of reform on interested groups, the hierarchy of authority and power among different groups and the actual perceptions of the reform among different groups, all of which are important for reform advocates to consider.

### **When to Conduct Stakeholder Analysis**

Timing is an important factor in the implementation of Stakeholder Analysis to assure the usefulness of the results for policy formulation. In most cases, SA should precede the finalizing of reform proposals. In early stages of policy formulation, SA can help gauge the likelihood of acceptance and sustainability of anticipated policy reforms. By initiating SA prior to the introduction of the reform and continuing to modify the policy proposal during the design process, potential obstacles to implementation and results can be avoided. When used at the right time and in conjunction with other tools such as qualitative political economy analyses and social impact assessments, Stakeholder Analysis can inform task team strategies to overcome opposition, build coalitions, and channel information and resources to promote and sustain proposed reform.

### **Data Collection**

Several methods can be employed to collect data on stakeholders in a comprehensive and efficient manner. Prior to the actual collection, a brief review of background literature and country studies can provide a useful understanding of the country's political economy. One method of collecting data is to conduct interviews directly with the stakeholders involved in the specific policy area. The second method is to interview local experts in the field who are knowledgeable about the issue and the important groups and individuals involved in the policy area.

Some country team members (e.g. country managers) often hold extensive local knowledge and can provide a critical first hand understanding of which stakeholders are relevant to the reform area. However, unless resources and time do not permit, interviewing of local and international experts in the policy area or country and/or the stakeholders themselves is imperative.

Broad, all-inclusive interviews will lead to an effective Stakeholder Analysis process since it will uncover many facets of the country's political economy. The content and questions of the interviews should focus on background information on the policy making process, information that identifies key stakeholders from a variety of groups in the reform process, and clarifying assumptions about stakeholders power and interest in the decision-making process. The number of interviews is determined by the research team, taking into consideration field conditions and logistical constraints (e.g. sensitivity, access, time, budget, etc.).

### **Analyzing Data and Designing Strategy**

Data from interviews – including scaled values assigned to the attributes and relative rankings calculated accordingly – are catalogued and presented in **charts** and/or matrices, highlighting the following attributes:

- group
- their interest (or salience)
- influence (power)
- position on the reform

An important measure called “effective power” (degree of power the stakeholder holds over other groups in relation to a reform area) is determined by weighting a combination of a stakeholder’s salience and influence.

A clear assessment of each stakeholder’s power and likely impact on the policy making process is conducted through several steps. The first step is to create a **continuum**. Stakeholders are mapped on a continuum indicating support for the reform on a scale of 0 to 100 from low (far left) to high (far right). The varying degrees of support are marked on the line with a value indicating their reform preference. This implement also provides a quick visual of the ‘lay of the land’, illuminating clusters of groups that support, oppose or are indifferent to reform.

The next step is to organize the stakeholder data according to relative power/influence and salience of each stakeholder to understand their potential support or opposition for the proposed reform. Often, a **matrix** is used to organize and classify the stakeholder data. One form is to map salience/interest and influence on the axes. This matrix provides a shorthand categorization and analysis of which stakeholders will gain or lose from a proposed reform and whether they can significantly impact the process. To guide strategic responses, stakeholders are categorized by their power and salience in a grid according to the following attributes:

- **Promoters:** Stakeholders who attach a high priority to the reform policy a priority and whose actions can have an impact on the implementation of the policy
- **Defenders:** Stakeholders who attach a high priority to the reform policy but whose actions cannot have an impact on the implementation of the policy
- **Latents:** Stakeholders whose actions can affect the implementation of the reform policy but who attach a low priority to this policy
- **Apathetics:** Stakeholders whose actions cannot affect the implementation of the reform policy and who attach a low priority to this policy

The above grid and an additional one facilitate scenario-building and discussion and helps task teams determine appropriate responsive strategies (e.g. which stakeholders to target for negotiations and trade-offs, or which to buttress with resources and information, etc.).

One of the main goals of Stakeholder Analysis is to reveal, and therefore potentially assist in reducing, the power imbalance among weaker groups which is often revealed

during policy reform process. Depending on the attributes of the stakeholder (e.g. their level of influence vs. their salience on the issue), strategies may be tailored to address their concerns.

**For example:**

- Maintain or increase power of reform supporters through building coalitions, and providing information and resources
- Convert opposition into support through negotiations, information and/or coalition building, including offering tradeoffs.
- Offset or counter powerful and not so powerful opponents

Because stakeholders and their positions may change over the course of negotiations and analyses, SA should remain an ongoing process allowing for policy design to adjust as more is known about the political reality. Ultimately, Stakeholder Analysis is a critical tool in clarifying the micro political economy of a policy area and can help identify interested parties that should be incorporated in the decision-making process, in addition to understanding the basis for their inclusion.

## **Pilot Stakeholder Analysis/Presentations**

Since 2002, the Bank has conducted three pilot stakeholder analyses that use an approach based on game theoretic models to predict stakeholder actions.

Two pilots were conducted in the East Asia Pacific region – one in a low-income country and one in a middle-income country. The low-income country was in the process of introducing both anti-corruption and civil service reforms, whereas the middle-income country introducing only anti-corruption reforms. The analysis used a method that collected data only through interviews with experts, categorized stakeholder attributes by position on the issue, power, salience, and effective power, and then predicted negotiation outcomes through round by round bargaining simulations. Information from the round by round simulations suggested that changing stakeholder positions through bargaining would be difficult.

The third pilot stakeholder analysis conducted in MENA region examined stakeholder positions and interests with regard to cereal policy reform. This analysis was significant in understanding the political economy around a sensitive policy concern. (For example, the analysis revealed the multiple levels of decision-making within the government and illustrated for the country team the significant political economy impediments to cereal policy reform). Using similar methodology as in the pilots in East Asia, the analysis identified key stakeholders likely to block or promote reform and provided the task team with a possible foundation for strategies, negotiations and tradeoffs necessary for arriving at more realistic and sustainable reform proposals.

Power-point presentations summarizing the above pilot studies and their findings below.

**East Asia/Pacific Pilot Presentation**

**MENA Pilot Presentation**

## **Doing Stakeholder Analysis for Your Project**

The Public Sector Group anchor unit (PRMPS) provides Bank task teams with guidance to undertake Stakeholder Analysis in one of two ways.

### **External Consultants**

For the three pilots, the Bank used the services of an external consulting firm – the Sentia Group, previously known as Decision Insights – to conduct stakeholder analysis using their proprietary software and methods established over a twenty-year practice. Using game theory, decision theory, spatial bargaining and risk management models, Sentia’s “Expected Utility Stakeholder Model” predicts outcomes, compares alternatives, and employs simulations of round by round negotiations to forecast stakeholder movement. Sentia collects stakeholder data through only expert interviews in order to assign values on: influence, position, importance of issue to the stakeholders, and then uses that data in the analysis.

Sentia uses a proprietary software that organizes and analyzes stakeholder attributes through several stages and representations. The first is a policy continuum that outlines the different levels of reform and with a value attached to each level on a scale from 0 to 100. The second is a graph of the stakeholders effective power plotted against their position on the issue. The third stage uses a computerized simulation technique to predict movement of stakeholders over the course of rounds of negotiations. The results are then presented in a report to the task team for discussion and as a basis for strategy development.

While Sentia clearly has the lead in working with Bank teams to do stakeholder analysis, there are other firms with similar capabilities and task teams are reminded to abide by the Bank’s guidelines in their consultant/consulting firm selection process.

### **In-House**

PRMPS has synthesized various stakeholder analytical models to create a simplified version for in-house use by Bank staff. The version clarifies and renders transparent the formula used to determine stakeholder effective power, replaces outcome prediction with scenario-building as a tool for task team strategic discussion and decision-making, and offers improved and simplified visual grids and matrices to map stakeholder power and salience on reform proposals. By integrating best practice in generic SA models with Bank concerns, norms, and practice, this model provides a more realistic and user-friendly tool for Bank staff. Moreover, the underlying algorithms are fully transparent foundation and the model provides room to exploit Bank task team knowledge on policy subject matter and local country knowledge. (Previous pilots indicated these as weak points of using external consultants.)

The in-house model assumes data collection can be pursued by either interviewing experts or the stakeholders, directly, depending on country circumstances. This model is

Excel-based and uses simple charts and grids to manage the information identifying and profiling stakeholders. The policy continuum is flexible and can include not only the progressive levels of reform but also a decision tree that illuminates tradeoffs and reservation prices. An additional matrix – the ‘Influence-Saliency’ matrix – is provided as an essential tool for the scenario-building exercises that task teams are expected to conduct as an integral part of the analysis and strategy development. This organization of the data to facilitate scenario-construction is a critical difference from predictive models of Stakeholder Analysis.

### **In-House Presentation**

### **Support to Bank Teams**

PRMPS is ready to assist task teams planning to conduct Stakeholder Analysis – regardless of the choice of instrument or team. PRMPS staff can support teams in quality assurance and provide peer guidance at all stages of the analysis. Anchor staff can also provide sample TORs, Memo to Files (e.g. single-source or competitive selection criteria), and cost estimates.

Please contact: [\*\*askgov@worldbank.org\*\*](mailto:askgov@worldbank.org)

## Background Reading

### **Stakeholder Analysis**

Annex: Economic & Social Tools for Poverty & Social Impact Analysis

### **Technical Notes**

USAID Publication

### **Guidance Note: Stakeholder Analysis**

Guidelines for Concept Note

### **Stakeholder Analysis and Natural Resource Management**

Jacques Chevalier

### **Stakeholder Analysis Guidelines**

Kammi Schmeer

### **Dying to Reach the Negotiating Table**

(Example of Stakeholder Analysis Result in Real World)

Lewis W. Snider, Jacek Kugler, and Brian Efird