

Classifying program/project customers/clients ^{1, 2}

By Alan Stretton

ABSTRACT

There is a substantial amount of material on stakeholders in the program/project literature, but surprisingly little about customers. When customers are mentioned, more often than not they are listed as just another set of stakeholders. This contrasts sharply with my own experience in providing professional program/project services to external customers, where the customer is king, and distinctions between customers and stakeholders are normally very clear. This comparative neglect of customers in the literature may derive, at least in part, from a paucity of material on professional program/project services, and perhaps also from a marked preoccupation in the non-major program literature with organizational change programs, where the providing organization itself is also the customer. This paper aims to draw more attention to the importance of the customers in the broader program/project context, by attempting to classify them in a way that covers most program/project application areas.

Discussion of terminologies leads to the following definitions/descriptors:

- **Client organisation:** The organisation which purchases the program/project, and is the broad end-user of its outputs.
- **Internal customers:** Those people or groups within the client organisation that are directly involved in furthering the program/project
- **Stakeholders:** Those people or groups who are not clients/customers, but who have an interest in, and/or whose interests may be affected by, the program/project.

The following classification of client organisations was then developed.

1. The client organisation is a unit within the providing organisation
2. The client organisation is the providing organisation itself
3. The client organisation/s is/are external to the providing organisation, and may be:
 - 3.1 *A single uniquely identified external client organization, or*
 - 3.2 *Multiple external client organizations, some of whom may be difficult to identify*

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Internal customers within client organisations are often not easy to identify, let alone classify, but they typically include sponsors, the key contact, end users, others progressing the program/ project, and decision influencers.

I would welcome feedback from interested readers about the adequacy and utility of this classification of customers/clients in their particular areas of interest or practice.

THERE IS LITTLE SUBSTANTIVE MATERIAL ON CUSTOMERS IN THE PROGRAM/PROJECT LITERATURE

There is surprisingly little written about customers in the program/project literature. Perhaps the most notable exception to this is Frame 1994 in his book *The New Project Management*, in which he devotes a whole chapter to *Satisfying Customers*. Unlike much of the literature, Frame does not talk about stakeholders per se. His use of the word *customers* evidently includes people and groups whom other authors would describe as *stakeholders*.

On the other hand, two documents in the program management literature which are probably the most widely circulated (and presumably used) in their respective domains – the UK's *Managing Successful Programmes* (OGC 2007), and North America's *The Standard for Program Management* (PMI 2006a) – have a good deal to say about stakeholders, but very little about customers.

- *Managing Successful Programmes* does not include customers in its Glossary of Terms, and they barely rate a mention elsewhere. They are not distinguished from other stakeholders.
- *The Standard for Program Management* does define customer, as noted below. In the body of that document the customer is listed as one of the key stakeholders in the program (p. 11) but is not distinguished from other stakeholders.

This depiction of the customer as just another stakeholder is also reflected widely in the project management literature – for example Tuman 2006: Table 13A-1; Tasmanian Government 2004: Section 3.2; Cleland & Ireland 2002: Figure 6.2.

From the perspective of one who has spent much of his career in the business of providing professional program/project management services to external customers, the portrayal of the customer as just another stakeholder is little short of astounding. This is because, in the context of the provision of services, the customer is the *raison d'être* for the program/project – if there were no customer, there would be no program/project. Customer satisfaction is therefore the first priority. Stakeholders are in a different category altogether. Their appearance, and relevance, come into being only after a program/project has been initiated by and/or with a customer. Whilst important, stakeholders' interests are necessarily secondary to those of the customer in this context.

It appears that the lack of focus on customers in the literature may be partly due to the paucity of materials on professional program/project services in the literature, which, in itself is curious, because of the prevalence of such services in the real world. Another contributor may be the heavy focus on organisational change programs in the non-major program literature. In most of these cases the organisation itself (or in some cases a unit within the organisation) is the customer, and there is rarely significant discussion on identifying internal customers within the organisation or unit. Whilst it is difficult for me to imagine undertaking these kinds of programs/projects without specific internal customers in mind, the literature seems to indicate otherwise. Do others see it this way?

Before exploring this, and other, issues further, a clarification of terminologies would appear to be in order.

DEFINITIONS/DESCRIPTORS OF CUSTOMERS AND STAKEHOLDERS

Customers/clients

The Macquarie Concise Dictionary (1988) has the following definitions:

- **Customer:** one who purchases goods from another
- **Client:** 1. one who employs or seeks advice from a professional adviser,
2. a customer.

Thus the words 'customer' and 'client' are virtually identical (although the word client is also used in some other contexts which are not relevant to us here). Therefore, in the following, the two descriptors customers and clients will be used somewhat interchangeably.

Discussions about customers/clients in the program/project literature are sparse. I found the following direct definitions/descriptors (of course, there may be many more).

- **Healy 1997:59:** The client is the entity assuming first-line responsibility for the financial liability for the bills associated with the achievement of the project
- **Obeng 1994:220-1**
 - Client. Client is a loosely defined term and refers to one or more people in the client organisation.
 - Client Organisation. The client organisation wants to use the output from the project. Specific people in the client organisation include the key contact, the client sponsor, and the end user.
 - End User. The end users are the people in the client organisation who have to live with the project deliverables. ...
- **PMI 2006a:106:** Customer. The person or organisation that will use the program's benefits, products or services or result.

These definitions/descriptors are not in full agreement with each other. Healy's definition is quite close to that of the Macquarie Dictionary, focusing on the customer/client as the purchaser, in the normal sense of the purchaser being financially responsible for the purchase. Obeng and PMI focus on the customer/client as the end user of the program/project outputs.

One interpretation of Obeng's descriptors is that he infers that there are two levels of customers/clients:

- The first level customer/client is what he calls the client organisation, which would normally be interpreted as the purchaser, which is also the end user organisation.
- Second level customers/clients include key people within the client organisation, such as the key contact, client sponsor, and individual end users.

Distinguishing between two such levels occurs naturally in the context of providing program/project services to external client organisations. As Powell 1980 says:

The Client is usually not one individual but a collection of people or groups of people within an organisation. In the early stages of collecting data it is essential that the Project Manager must determine the number of people in the Client organisation who will be directly involved in the project.

In light of the above, I propose to use the following definitions/descriptors:

- **Client organisation:** The organisation which purchases the program/project, and is the broad end-user of its outputs.
- **Internal customers:** Those people or groups within the client organisation that are directly involved in progressing the program/project

Stakeholders

In contrast with customers, stakeholders feature quite prominently in the program/project literature. Here are some typical definitions.

Obeng 1994:224: Stakeholder. A stakeholder is anyone who has an interest in the project. A typical project has some stakeholders who support it and some who oppose it.

OGC 2003:128: Stakeholder. An individual, group or organisation with an interest in, or influence over, the programme

PMI 2006a:11: ...program stakeholders [are] individuals and organisations whose interests may be affected by the program outcomes, either positively or negatively.

The common elements of these definitions suggest the following overall definition which I will use for the time being:

- **Stakeholders:** Those people or groups who are not clients/customers, but who have an interest in, and/or whose interests may be affected by, the program/ project.

CLASSIFYING THE CLIENTS/CUSTOMERS

The client organisation(s)

I recently analysed ten relevant program/project typologies from the non-major program management literature, which yielded the following frequencies of citation of five classifications of programs, as follows:

- Modify/improve existing systems or processes: 11 entries
- Bring in place new systems or processes: 11 entries
- High potential programs – e.g. R&D: 3 entries
- Programs ‘external’ to the organisation: 4 entries
- Professional services programs: 2 entries

The primary customer – i.e. the client organisation – for the first three bullet points is either the organisation itself, or a unit within the organisation. For the last two bullet points the client organisation will generally be external to the program/project provider organisation. This suggests starting with a high-level three-type client organisation classification as follows.

1. The client organisation is a unit within the provider organisation

Many modification/improvement programs/projects are evidently initiated within organisations at levels below top management, and apply to only part of the organisation - e.g. Obeng 1994:220:

Alternatively, it [the client organisation] can be a separate department or division within the project organisation. For example, when the Human Resources Department is asked to implement a new performance related pay scheme in the Operations Division, the Operations Division is the client.

Obeng’s example shows clearly that the provider in this case comes from within the organisation itself. Alternatively, if the provider were an external organisation, we would have a category 3 situation.

2. The client organisation is the providing organisation itself

The majority of programs discussed in the Western non-major program management literature appear to be about changes/improvements at the organisational level. For

example, the North American “*The Standard for Program Management*” (PMI 2006a:105) defines the word “benefit” in the program context as

An improvement to the running of the organisation such as increased sales, reduced running costs, or reduced waste.

Again, the emphasis in the literature is on the client organisation being the providing organisation itself. As with category 1, if the provider were an external organisation, we would have a category 3 situation.

3. The client organisation(s) is(are) external to the providing organisation

As is evident from the above frequency table, there is not a great deal of material in the Western non-major programs literature which specifically addresses the provision of program/project management services to external client organisations. Such material as does exist generally implies that the external client is one organisation.

In contrast to the Western literature, Japan’s P2M 2008 looks at programs in several different contexts, focusing particularly large external programs, often community/societal based (some in partnering arrangements), serving a very diverse range of customers, some of whom may be difficult to identify, particularly when political considerations are involved.

From a customer needs/satisfaction perspective in particular, there is a world of difference between an individual external client organization, and a multiplicity of external client organisations, some of whom may be difficult even to identify. This suggests the following sub-classification

- 3.1 A single uniquely identified external client organization, and
- 3.2 Multiple external client organizations, some of whom may be difficult to identify

3.1 A single uniquely identified external client organization

Professional program/project services delivered to external client organisations have only two entries in the above frequency table, which is surprising, in view of the large numbers of program/project organisations engaged in providing consulting services, and/or actual delivery services, to external client organisations.

Many of these services apply to a single uniquely identified external client organisation, and I propose to elaborate on this situation in a future paper.

However, in some situations there can be several client organisations, as now discussed.

3.2 Multiple external client organizations, some of whom may be difficult to identify

From a customer needs/satisfaction perspective, there is a world of difference between an individual external client organization, and a multiplicity of external client

organisations, some of whom may be difficult even to identify. As noted above, this situation is of particular concern to P2M2008.

Internal customers

Internal customers were defined earlier as those people or groups within the client organisation that are directly involved in furthering the program/project.

Obeng's descriptor of the client organisation (quoted earlier) specifically includes the client organisation's sponsor, key contact, and end users as internal customers.

Sponsors feature substantially in the program/project literature. Descriptors include:

Obeng 1994: Sponsor. The person ... who wants the project to be completed

OGC 2003: The Sponsoring Group of the programme providing the investment decision and top-level endorsement of the rationale and objectives for the programme. May be known as 'Programme Board'.

PMI 2006a: Sponsor. The person or group that provides the financial resources, in cash or in-kind, for the program.

There is not a full consensus in the above, but the client organisation's sponsor, if nominated, is certainly an internal customer.

The key contact, if nominated, is the client organisation's representative in respect of the program/project, and is therefore an internal customer.

End users cover individuals or groups within the client organisation who actually use the outputs from the program/project, and are also internal customers.

This is a far from convincing checklist. There are often other individuals or groups within the client organisation who would also qualify as internal customers under certain conditions. Following the above definition, internal customers include all those who are directly involved in furthering the program/project. Additionally, in my experience, some of the most important internal customers are key decision influencers, whom it is very often most difficult to detect.

It might be useful to generate a more comprehensive checklist of internal customers, but in practice it ultimately depends on the skill of the program/project manager to identify the most important internal customers in each individual case.

Summary of suggested customer/client classifications

Three types of client organisation have been identified

1. The client organisation is a unit within the providing organisation
2. The client organisation is the providing organisation itself

3. The client organisation(s) is/are external to the providing organisation, and can be:
 - 3.1 *A single uniquely identified external client organization*
 - 3.2 *Multiple external client organizations, some of whom may be difficult to identify*

Internal customers within client organisations typically include, but are certainly not restricted to sponsors, the key contact, end users, others progressing the program/project, and decision influencers.

CONCLUDING

This short paper arose out of my concern that much of the material in the literature did not distinguish between customers and stakeholders, whereas my experience in providing professional program/project management services to external customers drew sharp distinctions. The original purpose of the paper was to try and redress this situation a little, by drawing particular attention to the importance of customers/clients in the program/project context, and I hope it may have some success in doing this.

The ensuing customer/client classification above just seemed to emerge naturally, but it is recognised that this is only a 'first cut'. No doubt this classification can be improved, and I invite comments and criticisms on this, and allied matters.

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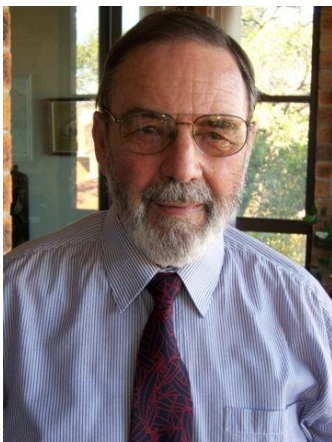
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