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Impact of Stakeholder Engagement on Project Financial Performance in High-Risk Industries

Bachelor Thesis

by

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Ulaanbatar/Nalaikh, 28.04.2025

Statutory Declaration

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I hereby affirm in lieu of an oath that I provided the submitted bachelor thesis

xxx

I did not use any sources other than those stated. In case that the work is additionally submitted on a data medium, I declare that the written and the electronic form are completely identical. The work was not submitted in the same or similar form to any examination authority.

May 28, 2025	
Place, Date	Signature

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ABSTRACT

High-risk industries such as mining, construction, oil and gas, and healthcare face substantial operational and financial challenges due to regulatory complexity, environmental risks, and community pressures. These risks often result in project delays, budget overruns, and diminished profitability—particularly when stakeholder concerns are overlooked. This study investigates the relationship between stakeholder engagement and financial performance in high-risk projects, with a focus on identifying how early and consistent involvement of key parties affects cost control, return on investment (ROI), and project resilience.

The research employs a mixed-methods approach, including case study analysis of selected projects in Mongolia, surveys and interviews with project managers and stakeholders, and quantitative analysis to assess the financial impact of engagement strategies. Findings suggest that proactive stakeholder involvement significantly improves project outcomes by reducing risk exposure, enhancing trust, and facilitating smoother execution. The study concludes by offering practical recommendations for integrating stakeholder engagement into financial planning and project management frameworks, contributing to both theoretical understanding and industry practice.

1.Introduction

1.1 Problem Statement

High-risk industries like mining, construction, healthcare or oil and gas face operational and financial risks stemming from complex regulatory requirements, environmental concerns, and community issues. These projects require substantial investments and are prone to delays and cost overruns, especially when stakeholder concerns are not adequately addressed. Proactive stakeholder engagement, involving the identification and involvement of key parties from early stages, has proven beneficial for reducing conflicts, increasing community support, and minimizing disruptions, ultimately benefiting both project timelines and financial outcomes.

Engaging stakeholders early allows companies to anticipate and address potential challenges, which can mitigate risks and prevent costly delays. Transparent communication and collaborative decision-making build trust and align project goals with stakeholder expectations, reducing the likelihood of legal, environmental, or community-driven interruptions. Projects with high levels of stakeholder involvement are shown to achieve better budget adherence, higher profitability, and stronger financial performance due to reduced delays and smoother project execution.

Expected outcomes from prioritizing stakeholder engagement include several key benefits. Financial insights can reveal how engagement practices improve metrics like ROI and cost control. Effective engagement also aids in risk mitigation, as it helps foresee and navigate project challenges more smoothly. Additionally, engagement strengthens project resilience, helping projects to recover more effectively from unexpected setbacks. Finally, these insights aim to provide practical recommendations for optimizing stakeholder engagement, which is essential for improving both financial and operational success in high-risk industries.

1.2 Research aim and objectives

The aim of this study is to examine the impact of stakeholder engagement on the financial performance of projects in high-risk industries. Specifically, it seeks to analyze how early and proactive engagement strategies influence key financial metrics such as return on investment (ROI), cost control, profitability, and risk mitigation. The study also aims to provide practical recommendations for optimizing stakeholder engagement to enhance financial and operational outcomes in sectors characterized by high uncertainty and risk exposure.

1.2.1 Specific Objectives

The primary objective of this research is to examine the impact of stakeholder engagement on financial performance in high-risk industry projects. Specifically, the study aims to:

- Evaluate how early and ongoing stakeholder engagement affects project cost, schedule, and risk outcomes.
- Identify best practices in stakeholder engagement that contribute to improved financial performance.
- Develop practical recommendations for integrating stakeholder engagement strategies into project financial planning.

1.3 Research questions

This study aims to explore the impact of stakeholder engagement on project financial performance in high-risk industries and seeks to provide answers to the following research questions:

1. To what extent does stakeholder engagement influence financial performance in high-risk industry projects?
2. How does early stakeholder involvement affect project cost control, risk mitigation, and schedule adherence?
3. What stakeholder engagement practices are most effective in improving financial outcomes?

4. How do financial outcomes differ between projects with high stakeholder engagement and those with minimal engagement?

1.4 Theoretical Background

In any project, stakeholders are individuals or groups who have an interest in the project or are affected by its outcomes. These can include internal parties such as employees, managers, and investors, as well as external groups like government agencies, suppliers, local communities, and non-governmental organizations. In high-risk industries such as mining, construction, oil and gas, and healthcare, stakeholders often have strong and diverse interests because the projects can bring economic, environmental, and social impacts. Understanding who the stakeholders are and how they influence or are influenced by the project is the first step in managing them effectively (Freeman, 1984).

Stakeholder engagement refers to the process of identifying stakeholders, understanding their needs and concerns, and involving them in the decision-making process throughout the project lifecycle. Engagement can range from basic information sharing to active collaboration and partnership. In high-risk industries, engagement is especially important because these projects often face strict regulations, environmental scrutiny, and community expectations. Poor stakeholder engagement may lead to opposition, legal challenges, project delays, or even cancellations. On the other hand, early and continuous engagement can help gain trust, reduce conflict, and improve cooperation (Bourne, 2015).

Project financial performance refers to how well a project manages its costs and delivers value, commonly measured using indicators such as return on investment (ROI), budget adherence, profit margins, and cost savings. Financial performance can be affected by many internal and external factors—including the level of stakeholder support. If a project experiences protests, regulatory delays, or community resistance due to poor engagement, it may suffer financial losses through increased costs, downtime, or penalties. Conversely, stakeholder

support can lead to smoother implementation, fewer disruptions, and greater long-term returns (Project Management Institute, 2021).

The relationship between stakeholder engagement and financial performance is particularly critical in high-risk industries because the consequences of failure are more severe. A delayed mining project, for example, may not only lose millions in revenue but also face long-term reputational damage. By involving stakeholders early, addressing their concerns, and maintaining transparent communication, companies can reduce uncertainties, make more informed decisions, and create shared value. This improves project efficiency and can directly enhance financial outcomes.

Although many project managers recognize the importance of stakeholder engagement, there is still a gap in linking engagement practices to financial metrics. Much of the existing literature focuses on qualitative benefits such as improved relationships or smoother project execution, without clearly showing how these translate into financial results. This study aims to fill that gap by exploring how stakeholder engagement affects project financial performance in high-risk industries, using theoretical foundations and practical data to support the analysis.

2.Literature review

2.1 Stakeholder Engagement

Stakeholder engagement is a foundational element in project success, particularly in high-risk industries. It involves actively identifying, understanding, and involving key individuals or groups who are affected by or can influence project outcomes (Freeman, 1984). Effective engagement improves trust, reduces resistance, and aligns diverse interests toward common goals.

2.1.1 Stakeholder Theory and Relevance to High-Risk Projects

Freeman's (1984) **Stakeholder Theory** argues that organizations must consider the interests of all stakeholders—not just shareholders—to create long-term value. In high-risk projects, such as mining or infrastructure development, stakeholders often include governments, local communities, NGOs, investors, and employees. These stakeholders have varying degrees of influence and may raise concerns about environmental, financial, or social risks (Bourne, 2015). Early and ongoing engagement reduces the likelihood of conflicts and costly project disruptions.

2.1.2 Engagement Across the Project Lifecycle

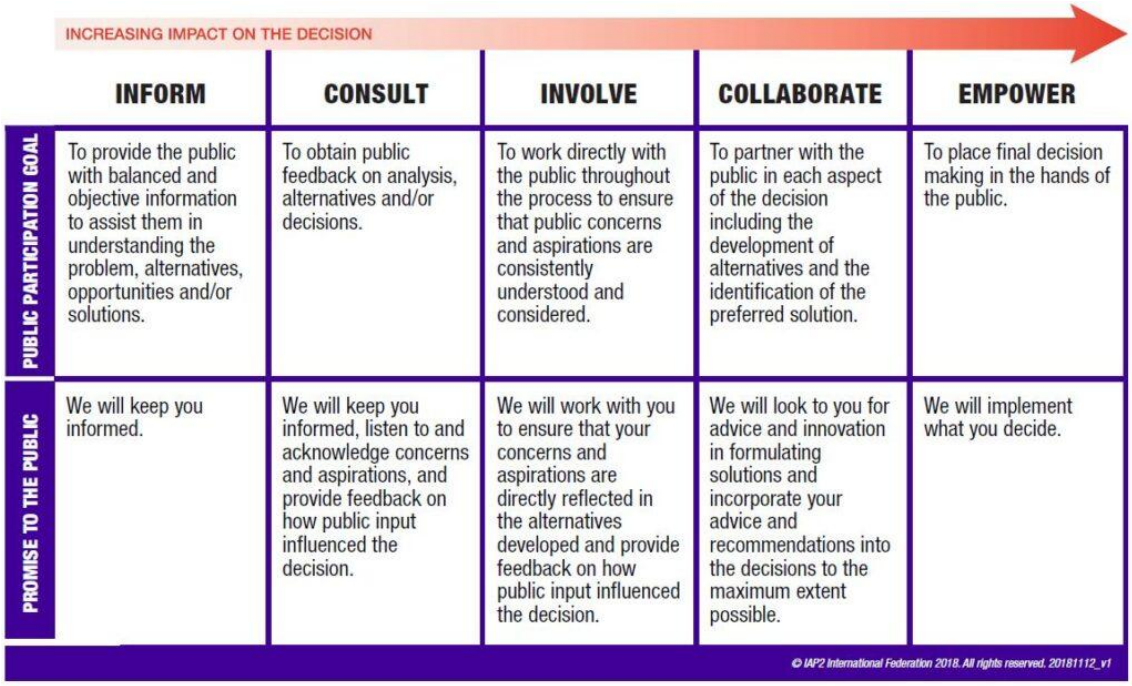
Stakeholder engagement must be integrated throughout the project lifecycle. Early involvement—especially during planning and design—helps identify concerns, increase community support, and prevent regulatory delays (PMI, 2021). According to Aaltonen and Kujala (2010), projects that involve

stakeholders from the start are more likely to meet financial and operational targets due to improved alignment and transparency.

2.1.3 Levels and Methods of Engagement

The **IAP2 Public Participation Spectrum** categorizes engagement levels as Inform, Consult, Involve, Collaborate, and Empower. In high-risk settings, deeper forms of engagement (e.g., collaboration) build stronger trust and legitimacy, especially where community or regulatory opposition is high (Reed, 2008). Tools such as stakeholder mapping, surveys, and roundtable discussions are commonly used to manage engagement processes effectively.

Figure 1. IAP2 Public Participation Spectrum



Source: Adapted from https://iap2.org.au/resources/spectrum/

2.1.4 Challenges to Effective Engagement

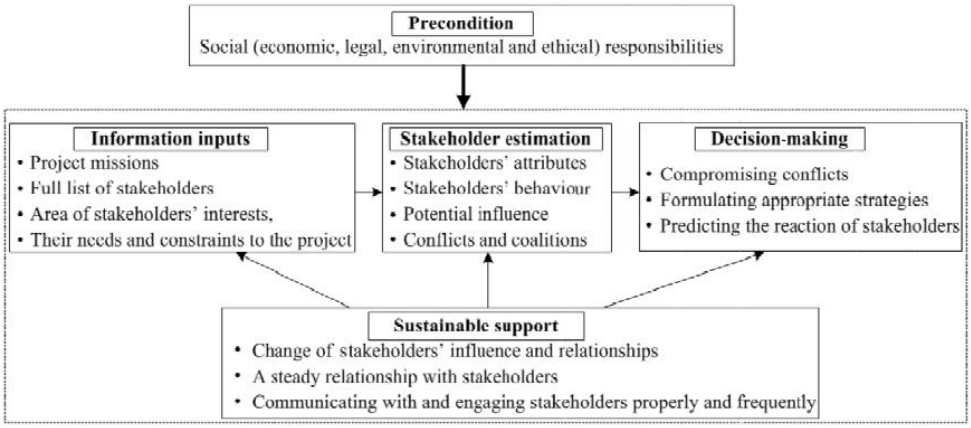
Despite its benefits, engagement faces challenges. These include lack of stakeholder capacity, communication barriers, resource limitations, and cultural

or political tensions (Karlsen, 2002). Projects may also fall into “checkbox” engagement—superficial involvement that fails to build real trust. This can be especially problematic in developing regions or remote communities where trust in institutions is low.

2.1.5 Strategic Value of Engagement in Financial Terms

Research shows that strong stakeholder engagement is linked to better financial outcomes. Yang et al. (2009) demonstrated that construction projects with high engagement reported fewer delays and cost overruns. In the mining sector, Li et al. (2013) found that consistent stakeholder participation led to improved investor confidence and smoother permitting processes, both of which reduce financial uncertainty.

Figure 2. A framework for successful stakeholder management in construction projects



Source: Adapted from Yang, J., Shen, G. Q., Ho, M., Drew, D. S., & Chan, A. P. C. (2009). Exploring critical success factors for stakeholder management in construction projects. *Journal of Civil Engineering and Management*, 15(4), 337–348.

2.2 Financial performance metrics

Evaluating project financial performance is essential for assessing the success and viability of investment decisions, especially in high-risk industries such as mining, oil and gas, and construction. Financial performance metrics offer quantifiable indicators of how effectively a project utilizes its resources to achieve profitability, cost efficiency, and long-term value.

2.2.1 Key Financial Metrics in Projects

Common financial metrics used in project evaluation include:

- **Return on Investment (ROI):**
  ROI measures the profitability of a project by comparing net gains to the total investment cost. It is a key metric in assessing the effectiveness of stakeholder-driven decisions, as proactive engagement can reduce unforeseen costs and increase stakeholder support, ultimately improving ROI.
- **Cost Performance Index (CPI):**
  CPI is used in earned value management to assess cost efficiency. It is the ratio of earned value to actual costs and indicates whether a project is under or over budget. Stakeholder conflicts and delays often increase actual costs, negatively affecting CPI.
- **Profit Margin:**
  Profit margin represents the percentage of revenue that exceeds total costs. Projects that encounter fewer regulatory or social disruptions—often thanks to good stakeholder engagement—tend to maintain higher margins.
- **Budget Variance:**
  This indicates the difference between the planned and actual budget. Delays or resistance due to poor engagement commonly result in budget overruns, making this a critical performance indicator.

2.2.2 Linking Stakeholder Engagement to Financial Metrics

Stakeholder engagement is not merely a soft management practice—it increasingly demonstrates measurable influence on a project's financial outcomes. In high-risk industries, where regulatory delays, public opposition, and community disruptions can have direct cost implications, effective stakeholder strategies serve as a financial safeguard.

Proactive engagement has been shown to enhance key financial metrics such as return on investment (ROI), cost control, and profit margins. For example, **Olander and Landin (2008)** found that construction projects with inclusive stakeholder participation achieved more accurate budget forecasting and fewer

financial deviations. These projects benefited from early risk identification, enabling cost-effective preventive measures rather than expensive reactive responses.

Similarly, **Li, Zhang, and Lin (2013)** examined infrastructure projects in China and demonstrated that consistent stakeholder involvement—especially from local governments and communities—resulted in improved cost certainty and shortened approval timelines. This translated into more predictable cash flows and reduced exposure to budget overruns and legal disputes.

The **Project Management Institute (PMI, 2021)** also emphasizes that stakeholder-related failures (e.g., unresolved objections, last-minute design changes) are a major source of budget and schedule slippage. By integrating stakeholder needs into the scope and financial planning from the start, project managers can avoid costly scope creep, delays, and non-compliance fines.

Moreover, when stakeholders feel heard and respected, their support reduces resistance, which minimizes downtime, disruption, and reputational damage—all of which have long-term financial consequences. This is especially critical in industries such as mining and energy, where “social license to operate” is a determinant of uninterrupted operations and long-term value creation.

In essence, stakeholder engagement is increasingly regarded as a **non-technical cost control mechanism**, capable of reducing uncertainty and enhancing financial performance. However, the magnitude of this effect can vary depending on project type, stakeholder complexity, and engagement depth—highlighting the need for further empirical validation, such as this study aims to provide.

Table 1. Financial Metrics Affected by Stakeholder Engagement

Financial Metric	Definition	Impact of Stakeholder Engagement	Source
Return on Investment (ROI)	Ratio of net profit to total investment	Reduces delays and increases value delivery, improving net returns	Olander & Landin (2008)
Cost Performance Index (CPI)	Ratio of earned value to actual costs	Minimizes cost overruns via early conflict resolution	PMI (2021)

Profit Margin	Percentage of revenue exceeding total project costs	Higher stakeholder support reduces disruption costs	Li et al. (2013)
Budget Variance	Difference between actual and planned costs	Avoids rework, fines, and late changes, leading to better budget control	PMI (2021)
Financial Predictability	Stability of cost and schedule estimates over time	Increases with stakeholder alignment and reduced uncertainty	Li et al. (2013)

2.2.3 Challenges in Measuring Financial Impact

While the link between stakeholder engagement and financial performance is conceptually strong, measurement remains a challenge. Financial results are often influenced by multiple factors such as market conditions, commodity prices, and organizational maturity. As a result, isolating the effect of engagement requires rigorous data collection, control variables, and statistical analysis—hence the relevance of this study's mixed-methods approach.

2.3 Review of key studies

A substantial body of research has examined the role of stakeholder engagement in project success. However, fewer studies have explicitly linked stakeholder engagement to financial performance, particularly in high-risk industries such as construction, infrastructure, and mining. This section reviews key empirical and theoretical contributions that demonstrate this connection, identifying patterns and limitations relevant to the current research.

2.3.1 Stakeholder Management as a Financial Enabler in Construction

This study is methodologically strong and clearly shows how early engagement helps avoid inefficiencies. However, it treats financial performance as an implied benefit rather than a directly measured outcome. Future research—including this thesis—should aim to quantify financial gains using hard data such as ROI or cost variance.

Yang et al. (2009) demonstrated that construction projects with early stakeholder engagement and open communication achieved better schedule and budget performance. While their focus was on operational metrics (such as rework and disputes), it is reasonable to infer that these outcomes indirectly benefit project profitability.

2.3.2 Financial Impacts of Stakeholder Resistance in Infrastructure Projects

While the findings are consistent with real-world observations, the study stops short of quantifying financial impact. That said, it underscores a critical point: stakeholder conflict isn't just a reputational issue—it's a **cost driver**. Including financial modeling (e.g., cost of delay/day) would have made this study more actionable.

Olander and Landin (2008) analysis emphasized the cost of resistance due to poor stakeholder engagement. Legal challenges and regulatory pushbacks led to delays and cost inflation. Projects with proactive engagement mechanisms faced fewer objections and smoother approvals.

2.3.3 Budget Certainty Through Engagement

Li et al. offer rare empirical evidence that links stakeholder engagement with specific financial outcomes such as budget adherence and risk-adjusted returns. Their research shows that projects with structured engagement plans were less likely to encounter surprise costs or social unrest. So the study is highly relevant to my research. The setting (China) shares similarities with Mongolia—both are emerging economies with high state involvement and community sensitivities. I believe this makes the case for **localized stakeholder frameworks** rather than generic models imported from Western project management.

2.3.4 Reducing Financial Uncertainty Through Early Mapping

This work is theoretically rich and offers a practical takeaway: engagement should begin **before** detailed financial planning. However, it still lacks the concrete financial metrics that decision-makers require. I see an opportunity to expand on this with real data, using Mongolian case projects where forecasts failed due to poor engagement. Focusing on the project lifecycle, Aaltonen and Kujala emphasized how early stakeholder identification improves financial forecasting. Their case studies suggest that ambiguity around stakeholder interests leads to change orders, delays, and unpredictable costs.

2.3.5 Stakeholder Engagement in Multi-Sector Projects

Using regression analysis, Mir and Pinnington statistically validated stakeholder engagement as a significant factor in perceived financial success. Their research spanned industries, indicating a broad relevance of engagement beyond construction alone. The strength of this study lies in its quantitative validation. However, because it relies on **perceived performance** rather than actual financial data, the conclusions should be interpreted cautiously. Still, it opens a useful methodological path—combining perception surveys with financial results, as this thesis intends to do.

2.3.6 Summary of reviews

The reviewed studies affirm that effective stakeholder engagement improves financial predictability, reduces cost overruns, and supports ROI—though not always directly measured. Most current research is clustered around infrastructure and construction sectors in developed or urban contexts, leaving a gap in data-driven analysis for **extractive industries in frontier markets** like Mongolia. This thesis responds to that gap by focusing on stakeholder engagement's quantifiable financial impact in mining and similar high-risk projects, using a mixed-methods approach to validate what many studies only imply.

2.4 Gaps in the literature

Although stakeholder engagement has been widely recognized as a critical success factor in project management, the existing literature presents several significant gaps—particularly in its connection to financial performance in high-risk industries.

2.4.1 Limited Quantitative Evidence Linking Engagement to Financial Metrics

Most existing studies talk about how engagement leads to better relationships, fewer conflicts, and smoother execution. But very few show exactly **how much money is saved**, or **how ROI or cost performance improves** because of it. For example, studies by Yang et al. (2009) and Aaltonen & Kujala (2010) mention positive effects, but don't use real financial metrics like NPV or budget variance. This makes it hard for companies to justify engagement in financial terms or use it as a measurable management strategy.

2.4.2 Engagement Is Treated as a Soft, Secondary Topic

Another issue is that stakeholder engagement is often treated as something nice to have—not a core strategy. It's commonly bundled in with general project success or stakeholder satisfaction, rather than being analyzed as a **direct driver of cost control, profitability, or investment success**. This risks undervaluing its importance and missing out on key financial lessons.

2.4.5 Few Studies Use Mixed Methods

Finally, many studies rely either on qualitative interviews or quantitative surveys—but rarely both. This creates a gap in understanding not just what is happening, but why. Combining financial data with real stakeholder feedback could give a fuller picture, yet this kind of mixed-methods research is still relatively rare in the field.

2.4.6 Summary

In short, while the importance of stakeholder engagement is well recognized, we still need a deeper, more practical understanding of how it works across different industries and contexts. There is a clear opportunity to explore this further—especially in high-risk, high-stakes environments where engagement can truly make or break a project. This thesis contributes to that effort by offering a fresh perspective rooted in real industry experience.

3.Methodology

This study employs a **qualitative-dominant mixed-methods research design** to explore the relationship between stakeholder engagement and project financial performance in high-risk industries. The design is structured to capture both the subjective experiences of project stakeholders and the observable trends in project outcomes such as budget adherence, cost overruns, and schedule performance.

3.1 Research design

The research combines three primary elements: **case study analysis**, **structured surveys**, and **semi-structured interviews**. This integrated approach was selected to balance depth and breadth—gathering detailed insights from a small number of real-world projects while identifying broader patterns across stakeholder groups.

A total of **three case studies** were developed, each representing a different high-risk industry in Mongolia: construction, energy, and mining. These industries are known for their complexity, sensitivity to external conditions, and high exposure to stakeholder-related risks.

The **qualitative component**—based on verbal data from project managers and external stakeholders—allowed for exploration of how stakeholder dynamics are perceived, managed, and reflected in project outcomes. At the same time, selected **quantitative data** from surveys (e.g., budget trends,

engagement frequency) were used to support and validate these qualitative insights through basic comparative analysis.

This research design supports the central aim of the thesis: to identify whether, how, and to what extent stakeholder engagement affects the financial success of high-risk projects in developing contexts such as Mongolia.

This design is particularly suitable for studying processes like stakeholder engagement, which are both strategic and relational. As Beringer, Jonas, and Kock (2013) highlight, stakeholder-related risk is a major cause of failure in large projects, particularly in sectors with high public exposure. A mixed-methods approach allows for the exploration of both **measurable project impacts** and **the complex human interactions** that influence them.

3.2 Data collection methods

This study used a combination of **case study analysis**, **structured surveys**, and **semi-structured interviews** to collect data from project participants involved in high-risk industry projects in Mongolia. This multi-method approach ensured triangulation and allowed for both **depth (qualitative insight)** and **comparability (structured responses)**, consistent with recommendations for mixed-methods research in social sciences (Creswell & Plano Clark, 2018).

The combination of survey and interview data collection has proven effective in stakeholder-related research, particularly in environments where financial data is sensitive or unavailable (Bryman, 2012). These methods were chosen for their ability to capture both factual patterns (e.g., timing, frequency of engagement) and reflective insights (e.g., attitudes, perceived effects of engagement on cost outcome

3.2.1 Case study approach

Three companies were selected, each representing a different high-risk sector: **construction**, **energy**, and **mining**. All three were involved in large-scale projects where stakeholder engagement was expected to play a significant role in project performance. For confidentiality, the organizations are referred to as **Company A**, **Company B**, and **Company C**:

- **Company A** is a construction contractor responsible for infrastructure development in support of a gold mining operation.
- **Company B** operates in the energy sector, managing power system services and project execution in regional areas.
- **Company C** is a coal mining company involved in open-pit extraction and local distribution.

Each case provided a real-world setting to observe the timing, methods, and challenges of stakeholder involvement. The projects varied in terms of stakeholder complexity, financial scale, and delivery models, offering a comparative basis to evaluate how stakeholder practices relate to financial outcomes such as budget control, risk mitigation, and timeline adherence.

3.2.2 Surveys and Interviews

Primary data were collected using two instruments:

Structured surveys were distributed to internal and external stakeholders, including project managers, financial officers, community representatives, and regulatory actors. The survey contained both closed-ended and open-ended questions grouped into four main categories:

- Organizational and project background
- Financial performance (e.g., budget adherence, ROI, cost overruns)
- Stakeholder engagement practices (e.g., timing, frequency, communication)
- Perceived impact of stakeholder engagement on project success

Semi-structured interviews were conducted with a subset of participants to explore themes raised in the surveys more deeply. These interviews allowed for discussion of specific experiences, challenges, and lessons related to engagement processes and financial decision-making.

All interviews and surveys were conducted voluntarily, either in person or via phone, and verbal responses were recorded with participant consent. Where

appropriate, responses were anonymized and grouped into themes during the analysis phase.

In designing the survey and interview instruments, attention was paid to ensure the **alignment between research questions and instrument structure**, as recommended by Yin (2018). This included piloting initial questions with an independent project manager to ensure clarity and relevance. Furthermore, open-ended survey questions were designed to complement structured items and to encourage participants to reflect on **non-quantifiable outcomes**, such as trust-building and communication quality—dimensions which have been shown to significantly influence stakeholder satisfaction (Olander, 2007).

3.3 Sampling

This study used a **purposive sampling** approach to identify participants who possess direct experience with project implementation and stakeholder engagement in high-risk sectors. Participants were selected based on their active involvement in decision-making processes related to project planning, execution, financial management, or community relations.

The sampling included both **internal stakeholders** (e.g., project managers, financial officers) and **external stakeholders** (e.g., local authorities, community representatives, or NGO partners). Each was chosen for their ability to provide informed perspectives on how stakeholder engagement practices have influenced project outcomes.

The sample size was intentionally limited to allow for in-depth qualitative analysis. The aim was not statistical generalization, but rather to gather rich, experience-based data that could support meaningful comparisons and thematic interpretation across projects with different levels of engagement.

While the sample size is relatively small, its **purposeful construction** enhances the study's internal validity. According to Patton (2015), purposeful sampling in qualitative research is not meant to generalize, but to achieve depth and **information-rich cases**. By selecting participants who are directly

responsible for stakeholder management or affected by it, the study ensures that data gathered are **experience-based** and contextually grounded.

3.4 Data analysis plan

The analysis in this study followed a **qualitative content analysis approach**, supported by basic quantitative summaries where applicable. The goal was to interpret how stakeholder engagement practices influenced project financial performance by identifying recurring themes, patterns, and contrasts in participant responses.

Open-ended survey responses and **interview transcripts** were first reviewed and coded manually. Key phrases and statements were grouped into categories such as:

- Timing of engagement
- Communication effectiveness
- Perceived causes of cost overruns
- Stakeholder influence on decision-making
- Impact on budget and schedule outcomes

These categories were used to form broader thematic insights about how stakeholder practices affect financial outcomes.

In addition, **descriptive statistics** were generated from the closed-ended survey responses. These included frequency counts, response distributions, and simple cross-case comparisons (e.g., comparing how many participants reported staying within budget in high- vs. low-engagement cases).

The combination of qualitative interpretation and supporting numerical summaries ensured that findings were both **contextually rich** and **clearly communicated**. Patterns were compared across different companies and stakeholder types to highlight the conditions under which engagement contributed to—or failed to improve—financial performance.

Data analysis was conducted iteratively, with preliminary codes refined during the review process. This method aligns with Braun and Clarke's (2006) six-step thematic analysis model, which involves familiarization, coding, theme development, reviewing, defining, and reporting. Coding was conducted manually

to ensure immersion in the data and to allow for inductive insight, especially in identifying unexpected connections between stakeholder behavior and financial performance.

3.5 Ethical considerations

Ethical principles were carefully observed throughout the research process to ensure the protection of participant privacy, voluntary participation, and the responsible handling of information.

All participants were informed in advance about the **purpose and scope** of the study, and participation was entirely **voluntary**. Respondents were given the option to skip any questions they did not feel comfortable answering. Before conducting interviews or collecting survey responses, verbal or written **consent** was obtained from each participant.

To protect confidentiality, **no personal identifiers or company names are disclosed** in this thesis. The participating organizations requested anonymity, and they are therefore referred to generically as Company A, B, and C throughout the document. Any quotations or insights included in the results have been carefully reviewed to ensure they do not reveal the identity of individuals or organizations.

No sensitive financial documents or internal records were requested. All data collected are based on **personal experience, professional opinion, and general project-level observations**. Data were securely stored, accessible only to the researcher, and used exclusively for academic purposes.

The research complies with the ethical standards expected of undergraduate academic research and aligns with principles of **informed consent, confidentiality, and respect for participant autonomy**.

Ethical issues also extended to **cultural sensitivity**, particularly during interviews. Efforts were made to conduct conversations in a respectful, informal manner where appropriate, and in participants' preferred language (Mongolian or English). As Marshall and Rossman (2014) suggest, adapting to participant norms increases the authenticity of responses and reduces the potential for researcher-imposed framing.

3.6 Limitations of the methodology

While the research design provides valuable insights into the relationship between stakeholder engagement and financial performance in high-risk industries, several limitations should be acknowledged.

First, the study is based on a **small sample of three companies**, which limits the generalizability of the findings. Although the qualitative approach prioritizes depth over breadth, the results should be interpreted as **case-specific insights**, not industry-wide conclusions.

Second, the data collected rely primarily on **self-reported perceptions** through surveys and interviews. Without access to official financial records or performance audits, the study cannot verify claims related to budget adherence or ROI. As such, the financial impacts discussed are **perceived rather than empirically measured**.

Third, **respondent bias** is a potential concern. Participants may understate or overstate the impact of stakeholder engagement due to personal or organizational perspectives. Efforts were made to include both internal and external viewpoints to reduce this bias, but the influence of personal experience remains a factor.

Finally, the use of **anonymized company identities**—while ethically necessary—limits the reader's ability to connect findings with specific operational or institutional characteristics, such as company size, governance style, or stakeholder history.

Despite these limitations, the methodology provides a strong foundation for understanding **how and why stakeholder engagement practices influence project outcomes** in complex, real-world settings.

4.Results and Discussion

This chapter presents the findings from the case studies, surveys, and interviews conducted with internal and external stakeholders from three high-risk industry projects in Mongolia. The analysis is based on structured data collected through questionnaires and verbal interviews, tailored to explore how the timing, quality, and consistency of stakeholder engagement affect project financial outcomes. The discussion also links the findings to relevant literature introduced in Chapter 2 to interpret their practical and theoretical significance.

The three case study companies—an EPC contractor (Company A), an energy services provider (Company B), and a coal mining operator (Company C)—demonstrated markedly different approaches to stakeholder engagement. These differences had clear implications for cost control, project scheduling, and risk exposure.

Company A, a construction contractor working on infrastructure for a gold mine, exhibited moderate engagement practices. Stakeholders were involved primarily during the planning and design stages, but communication remained formal and limited to major milestones. Internal staff acknowledged that while engagement occasionally resolved permit and subcontractor issues, delays and overruns still occurred. External partners also indicated that communication was often reactive, and feedback was only partly considered. These dynamics contributed to moderate cost overruns and process inefficiencies. The company's experience suggests that engagement practices rooted in compliance rather than collaboration offer limited benefit.

In contrast, **Company B** showcased a highly structured and proactive approach to stakeholder engagement. From the feasibility phase, stakeholders—

including design partners, regulatory authorities, and local utilities—were engaged regularly and transparently. Both internal and external respondents reported that feedback was consistently integrated into project decision-making. As a result, Company B experienced minimal cost variance, met all deadlines, and avoided significant conflict or rework. This case supports the literature that links early, continuous stakeholder engagement with improved financial and operational outcomes (e.g., Yang et al., 2009; Li et al., 2013).

On the other end of the spectrum, **Company C**, a coal mining firm, demonstrated low stakeholder involvement, with external parties only engaged after execution began—often when issues had already escalated. Internal respondents admitted that stakeholder input was rarely sought or used, and external partners described communication as delayed and ineffective. These shortcomings contributed to serious cost overruns, delayed permits, and reputational harm. The case reinforces prior findings that insufficient engagement can become a source of financial risk rather than a shield from it (Olander, 2007; Aaltonen & Kujala, 2010).

Across all three cases, the timing and consistency of stakeholder involvement emerged as key differentiators. Projects with structured, inclusive engagement strategies (Company B) experienced fewer disruptions, smoother workflows, and stronger financial performance. In contrast, projects that relied on limited or late-stage engagement (Company C) encountered budget instability and operational setbacks. These patterns were also visible in how each company handled feedback, coordinated with partners, and responded to unforeseen events.

The findings strongly support the broader argument that stakeholder engagement is not merely a soft management practice—it is a measurable contributor to project success. While engagement cannot eliminate all risks, it can reduce uncertainty, strengthen coordination, and improve financial predictability in complex project environments. These results align with stakeholder theory and reinforce its relevance in high-risk industries where financial margins are closely tied to social and institutional cooperation.

4.1 Summary of case study findings

This section presents a detailed summary of the three case study companies examined for this research. Each case reflects distinct stakeholder engagement practices, operational environments, and financial outcomes. The companies, referred to anonymously as Company A (Construction), Company B (Energy), and Company C (Mining), operate in high-risk project environments in Mongolia where stakeholder management plays a critical role in overall performance. These summaries are based on both internal and external stakeholder survey responses and interview insights.

4.1.1 Company A – Construction Contractor (Moderate Engagement)

Company A is a mid-size engineering, procurement, and construction (EPC) contractor engaged in delivering infrastructure for a gold mining project. The company reported that stakeholder engagement typically begins during the planning and design phases, with involvement largely limited to formal interactions at project milestones such as permitting reviews or technical design approvals. According to internal respondents, this limited engagement is driven by regulatory compliance requirements rather than strategic relationship-building.

While the company maintains a solid technical track record, its financial performance on the selected project was inconsistent. Project managers reported cost overruns averaging 8–10%, mainly attributed to late-stage design revisions, permit delays, and subcontractor misalignment. Communication with external stakeholders such as suppliers and partner firms occurred sporadically and often lacked follow-up or feedback loops. External partners described communication as “neutral” and “transactional,” noting that while basic coordination was in place, meaningful collaboration was rare.

The findings suggest that although Company A followed industry norms in terms of basic stakeholder procedures, it lacked a proactive engagement framework. Engagement was not embedded into the risk planning process, resulting in avoidable rework and schedule slippage. Financially, the company met most project goals but could have improved its cost control and schedule adherence with a more strategic approach to stakeholder coordination.

4.1.2 Company B – Energy Sector Operator (High Engagement)

Company B operates in the national power distribution and energy systems sector. Among the three case studies, it demonstrated the most structured and comprehensive stakeholder engagement strategy. Stakeholders—including regional energy authorities, grid partners, inspection agencies, and technical design consultants—were brought into the project at the feasibility stage. The company held monthly review meetings, issued regular updates, and used digital collaboration tools to maintain transparency and real-time access to design changes and risk logs.

This engagement model had a direct positive impact on project outcomes. The selected project was completed within budget and on time. Respondents highlighted that early stakeholder integration allowed the team to anticipate technical and permitting issues, reducing the need for rework and accelerating approval processes. Both internal and external stakeholders noted that feedback was “always considered” and “fully integrated into design reviews.” In particular, the collaboration between engineering and compliance teams reduced risk exposure and enhanced client satisfaction.

This case strongly supports the hypothesis that stakeholder engagement is a driver of financial performance. Company B’s experience aligns with studies by Yang et al. (2009) and Li et al. (2013), which found that stakeholder responsiveness and collaborative planning reduce delays and cost escalations in high-risk infrastructure projects.

4.1.3 Company C – Mining Operator (Low Engagement)

Company C, a large coal mining company, presented the weakest engagement strategy among the three. Stakeholder involvement was minimal and reactive. Engagement began only after operational issues had emerged, such as permit restrictions, community resistance, and environmental audit failures. Internal stakeholders acknowledged that the company did not prioritize stakeholder mapping or early consultation, largely due to pressure to meet production targets and a top-down project structure.

As a result, the selected project faced multiple financial and operational setbacks. Cost overruns exceeded 15%, largely driven by rework, idle equipment during permit hold-ups, and poor alignment with third-party contractors. External stakeholders—including environmental consultants and logistics partners—reported that communication was “ineffective” and “only triggered by problems.” Their feedback was rarely acknowledged or acted upon, creating tension and uncertainty throughout the execution phase.

The case illustrates the risks of a compliance-only engagement model, particularly in industries where regulatory and community risks are high. The financial consequences faced by Company C reinforce the literature emphasizing the dangers of poor stakeholder integration, especially in sectors with complex operational and environmental dependencies (Aaltonen & Kujala, 2010; Olander & Landin, 2008).

Table 1. Cross-Case summary

Company	Sector	Engagement Start	Communication Style	Feedback Use	Budget Outcame	Engagement Impact
A	Construction	Planning phase	Formal, milestone-based	Sometimes considered	8–10% over budget	Mixed–prevented minor risks
B	Feasibility phase	Feasibility phase	Regular, transparent	Always considered	On time, on budget	Very positive–proactive
c	Execution or later	Execution or later	Reactive, inconsistent	Rarely considered	>15% over budget	Negative–escalated risks

In summary, these three case studies highlight how stakeholder engagement varies across sectors and organizations. Company B's proactive and inclusive model significantly contributed to its financial and schedule performance, while Company C’s reactive approach resulted in major cost impacts. Company A’s experience illustrates a transitional approach, where compliance is achieved but strategic value is left unrealized. These differences lay the foundation for deeper analysis in the following sections, where survey

results, statistical patterns, and literature comparisons are examined in greater detail.

4.2 Survey/interview results

This section presents the findings from structured surveys and semi-structured interviews conducted with both internal and external stakeholders from the three case study companies. The data are used to examine perceptions of stakeholder engagement practices, communication effectiveness, and their relationship to financial performance. Responses from project managers, engineers, technical partners, regulators, and cooperating subcontractors provide a multifaceted view of how engagement is implemented and experienced in real project environments.

A total of 15 respondents participated in the survey: 9 internal stakeholders and 6 external partners. Each company provided insights reflecting its unique organizational structure, engagement philosophy, and project challenges.

Stakeholder Involvement Timing and Frequency

The survey asked when stakeholders were first engaged in the project lifecycle. In Company B (Energy), 100% of respondents indicated involvement during the feasibility stage, whereas in Company A (Construction), stakeholders were engaged only from the planning phase onward. Company C (Mining) lagged behind, with most stakeholders brought in during execution or only after issues arose.

Table 2. Stakeholder Involvement Timing and Frequency

Engagement Start	Company A	Company B	Company C
Feasibility Phase	0	4	0
Planning/Design	4	2	1
Execution/Delayed	1	0	5

In terms of frequency, Company B demonstrated the most consistent pattern of regular updates (monthly), while Company A used milestone-based

consultations. Company C was found to be reactive, with limited and inconsistent communication.

Communication Effectiveness

Respondents were asked to rate how effective communication between project teams and stakeholders was during the project. In Company B, the majority rated communication as “very effective,” citing structured updates, accessible documentation, and dedicated liaison staff. Company A received mixed ratings, while Company C was rated largely “ineffective” due to lack of clarity, delayed responses, and absence of follow-through.

Table 3. Communication Effectiveness

Communication Rating	Company A	Company B	Company C
Very Effective	0	3	0
Effective	2	2	1
Neutral	2	0	2
Ineffective	1	0	3

Interview excerpts supported these findings. A subcontractor in Company A commented:

“We were informed of changes late, which made coordination harder. There was no dedicated contact person.”

An external regulator involved in Company B’s project stated:

“We received consistent updates and participated in risk assessments from the beginning. This helped everyone stay aligned.”

Feedback Consideration

Survey participants were also asked whether stakeholder feedback was considered in project decision-making. This metric proved to be a key differentiator in outcomes. Company B integrated feedback consistently, while Company A did so selectively. Company C rarely incorporated input, leading to unresolved disputes and repeated rework.

Table 4. Feedback Consideration

Feedback Use	Company A	Company B	Company C
Always Considered	1	3	0
Often Considered	1	2	1
Sometimes Considered	2	0	2
Rarely/Never	1	0	3

Interview responses from Company C highlighted internal resistance to collaboration:

"Engagement was seen as an afterthought. We only acted when required by regulation or external pressure."

Perceived Financial Impact of Engagement

Respondents were asked to evaluate how stakeholder engagement affected the project's financial performance. In Company B, participants overwhelmingly reported a positive or very positive impact. In Company A, opinions were mixed, while Company C respondents viewed engagement as ineffective or even disruptive due to its lateness and lack of structure.

Table 5. Perceived Financial Impact of Engagement

Impact Rating	Company A	Company B	Company C
Very Positive	0	3	0
Positive	2	2	1
Neutral	2	0	2
Negative	1	0	3

Company B's structured and inclusive engagement strategy contributed to high stakeholder satisfaction and reduced operational risks, leading to projects delivered on time and on budget. Company A's partial engagement model offered limited improvement, while Company C suffered both financial and reputational setbacks.

Emerging Themes from Open-Ended Responses

Several themes emerged across interviews and written responses:

- **Timing matters**: Early engagement consistently led to better outcomes.
- **Two-way communication** is more effective than one-way updates.
- **Feedback integration** increases ownership and reduces costly rework.
- **Reactive engagement** often leads to escalated issues and financial penalties.

These themes align closely with findings in the literature. Yang et al. (2009) emphasized the importance of early stakeholder analysis, while Aaltonen and Kujala (2010) linked stakeholder uncertainty with higher cost variability. Company B's success echoes these principles, while Company C reflects the risks outlined by Olander and Landin (2008) regarding superficial or delayed engagement.

In conclusion, the survey and interview data illustrate that effective stakeholder engagement is more than a formality—it is a strategic asset. When stakeholders are involved early, consulted regularly, and treated as partners rather than obstacles, project outcomes improve across financial, regulatory, and reputational dimensions. These observations form the basis for the comparative analysis and pattern identification discussed in the next section.

4.3 Statistical analysis

This section analyzes patterns and relationships observed across the survey and interview data gathered from Companies A, B, and C. The aim is to identify how variations in stakeholder engagement practices—specifically **engagement timing**, **feedback integration**, and **communication frequency**—correlate with financial outcomes such as budget adherence and cost overruns.

While the sample size is limited and not intended for statistical generalization, the results yield meaningful patterns that reveal consistent associations between engagement quality and project performance.

Engagement Timing vs. Budget Outcome

A key differentiator across the three cases is the stage at which stakeholders were first involved. As Table 6 shows, earlier stakeholder involvement was strongly associated with more favorable budget outcomes.

Table 6. Engagement Start vs. Budget Outcome

Company	Engagement Start	Budget Status	Cost Overrun (%)
A	Planning/Design phase	Slight overrun	8–10%
B	Feasibility phase	On budget	0%
C	Execution phase	Significant overrun	>15%

Company B, which engaged stakeholders during the feasibility phase, had no reported cost overruns. In contrast, Company C, where stakeholders were involved reactively, experienced the highest budget variance. This pattern suggests that **early-stage collaboration allows for better risk identification**, especially in areas related to permitting, compliance, and design review.

Feedback Integration and Financial Impact

Table 7 highlights the relationship between how seriously stakeholder feedback was considered and the project's perceived financial outcome. Projects where stakeholder input was always or often integrated (Company B) saw greater cost control and fewer delays.

Table 7. Feedback Use vs. Financial Impact

Company	Feedback Consideration	Perceived Financial Impact
A	Sometimes	Positive / Neutral
B	Always / Often	Very Positive
C	Rarely	Negative

Interviews further support this trend. A regulatory partner at Company B remarked:

“Our early feedback on land use and inspection procedures saved weeks during the permit phase.”

In contrast, a subcontractor at Company C commented:

“We were never consulted until something failed, and by then it was too late to adjust efficiently.”

Communication Frequency vs. Coordination Effectiveness

Regular stakeholder communication appears to be linked with smoother implementation. Table 8 displays how communication frequency influenced stakeholder ratings of coordination and responsiveness.

Table 8. Communication Frequency vs. External Stakeholder Rating

Company	**Communication Frequency**	**Stakeholder Rating**
A	Occasionally (milestones)	Neutral
B	Monthly	Very Effective
C	Rare / Crisis only	Ineffective

Company B’s structured approach enabled collaborative planning and reduced uncertainty. Stakeholders described the process as “transparent and inclusive.” Meanwhile, in Company C, poor communication contributed to misunderstandings, delays, and repeated rework.

Cross-Case Pattern Synthesis

When analyzed holistically, several consistent patterns emerge across the three companies:

1. **Early engagement** is a predictor of better budget adherence.

2. **Frequent communication** enhances stakeholder alignment and project adaptability.
3. **Feedback integration** improves decision-making and reduces risk of cost escalation.
4. **Reactive or delayed engagement** correlates with high cost variance, scheduling problems, and reputational issues.

These patterns are summarized in Table 9.

Table 9. Summary of Engagement Practices and Outcomes

Company	Engagement Quality	Cost Outcome	Stakeholder Trust	Regulatory Smoothness
A	Moderate	Mid-level overrun	Moderate	Adequate
B	High	On-budget	High	Smooth
C	Low	Major overrun	Low	Delayed / Reactive

Interpretation of Patterns

These findings are consistent with the theoretical frameworks discussed in Chapter 2. Stakeholder theory (Freeman, 1984) suggests that organizations which proactively involve all affected parties perform better across multiple dimensions. This is validated in Company B's case, where collaborative practices translated into measurable financial efficiency.

Similarly, Aaltonen and Kujala's (2010) research shows that uncertainty in stakeholder relations can lead to budget unpredictability—a trend clearly visible in Company C. The absence of stakeholder mapping or trust-building measures led to a breakdown in communication and late-stage disputes, both of which significantly increased costs.

In summary, while each company operated under different sectoral constraints and project conditions, a consistent conclusion emerges: **well-structured stakeholder engagement correlates with improved financial outcomes**. The next section builds on this analysis by comparing the best- and worst-performing cases in greater depth.

4.4 Comparison of high vs. low stakeholder engagement projects

This section provides a direct comparison between the two most contrasting case studies in the research: **Company B** (energy services provider with high engagement) and **Company C** (mining operator with low engagement). Their divergent approaches to stakeholder engagement offer clear insight into how engagement strategies influence project performance, both financially and operationally.

Stakeholder Strategy and Engagement Philosophy

Company B exhibited a **structured and proactive stakeholder strategy**. Engagement began in the **feasibility stage** and continued throughout the project lifecycle. The company treated engagement not merely as a requirement for regulatory approval but as a strategic process essential for anticipating and resolving issues early. A project coordinator was assigned specifically to manage stakeholder communication, and external parties—including design partners, inspection bodies, and regional grid authorities—were included in design review and risk planning meetings from the beginning.

In contrast, Company C followed a **reactive and minimalistic approach** to engagement. Stakeholders such as environmental consultants, regulatory officers, and local logistics contractors were engaged **only after the project had begun**, and primarily when problems arose. The company lacked a dedicated liaison or structured plan for external coordination. Stakeholder feedback, when given, was often not incorporated into decisions, and engagement was treated as an administrative formality rather than a project value-adding activity.

Operational Coordination and Communication

Company B's engagement strategy enabled it to maintain **stable communication channels** with external and internal stakeholders. Monthly check-ins, shared dashboards, and clear workflows contributed to faster approval cycles, effective contractor alignment, and minimal conflict. External partners described the communication process as "highly responsive," "clear," and "respectful of expertise."

By contrast, Company C experienced **frequent breakdowns in communication**. Coordination with partners and oversight bodies was often delayed or incomplete, resulting in contradictory expectations, delayed deliveries, and rework. A subcontractor described the company's communication as "last-minute and inconsistent," and an environmental consultant stated, "we were brought in to clean up issues, not to prevent them."

Risk Management and Response Time

The difference in engagement practices had direct consequences for **risk management**. Company B identified risks early through stakeholder consultations, allowing them to mitigate land-use conflicts, inspection bottlenecks, and supply chain disruptions before they escalated. This led to smooth regulatory approvals and uninterrupted execution.

Company C, by contrast, faced unanticipated risks that were not addressed in a timely manner. A delay in environmental permit processing resulted in idle equipment and rescheduling. Labor disputes with local subcontractors—due to a lack of advance consultation—led to temporary work stoppages. These risks translated into increased operational costs, legal disputes, and reputation damage with public and regulatory audiences.

Financial Outcomes and Budget Adherence

Perhaps the clearest distinction between the two companies was seen in **budget adherence**:

- **Company B** delivered its project **on time and on budget**, with zero significant cost overruns. Stakeholder feedback was consistently used to refine scope, avoid design changes, and minimize inefficiencies.
- **Company C** recorded a **cost overrun of over 15%**, mainly due to rework, delays, and external resistance. Stakeholder concerns were not incorporated early enough, resulting in decisions that required reversal or adjustment after execution had begun.

These financial results confirm the strong association between early, consistent engagement and effective cost control—a relationship supported in the literature by Li et al. (2013) and Yang et al. (2009), who found that stakeholder integration reduces risk-related costs and improves financial predictability.

Trust, Accountability, and Stakeholder Satisfaction

Company B also benefited from high levels of **stakeholder trust**. External partners reported feeling respected, involved, and valued in the decision-making process. This trust increased their willingness to cooperate, offer feedback, and help the project team meet deadlines.

Company C, however, suffered from **low stakeholder morale and accountability breakdowns**. Partners expressed frustration at not being consulted and not receiving timely project information. This weakened coordination and created resistance rather than support from the external ecosystem.

Table 10. Summary of Key Differences

Aspect	**Company B (High Engagement)**	**Company C (Low Engagement)**
Engagement Start	Feasibility phase	Execution phase (reactive)
Feedback Integration	Always considered	Rarely considered
Communication Style	Proactive, regular, transparent	Reactive, infrequent, unclear
Risk Identification	Early and collaborative	Late and crisis-driven
Budget Outcome	On time and on budget	Over budget (>15%)

Stakeholder Satisfaction	High–described as a “model project”	Low-complaints, rework, conflict
Regulatory Relationship	Cooperative and smooth	Delayed, strained

Interpretation

The comparison between Company B and Company C illustrates the practical significance of stakeholder engagement. Engagement is not merely a soft or secondary element of project management—it is a **determinant of strategic efficiency**. The timing, quality, and structure of engagement directly influence risk visibility, team alignment, stakeholder cooperation, and ultimately, financial outcomes.

Company B’s experience validates stakeholder theory’s core claim: long-term value creation comes from considering the needs and interests of all parties involved in or affected by a project (Freeman, 1984). Meanwhile, Company C’s results reinforce warnings from researchers like Aaltonen & Kujala (2010), who argue that uncertainty from disengaged stakeholders can destabilize even technically sound projects.

4.5 Discussion linking findings with literature

This section discusses the alignment between the findings of this study and the key theories and empirical research explored in Chapter 2. The comparison reinforces the conceptual foundation of stakeholder engagement as a critical factor influencing financial and operational performance in high-risk industries.

Stakeholder Theory and Real-World Validation

Freeman’s (1984) stakeholder theory argues that the long-term success of organizations depends on their ability to consider the interests of all affected parties—not just shareholders. This principle was clearly validated in the case of **Company B**, where inclusive, early, and transparent stakeholder engagement contributed to on-budget and on-time project delivery. Stakeholders—including

technical partners and regulators—were treated as active collaborators, which in turn fostered trust, reduced opposition, and improved operational predictability.

In contrast, **Company C** demonstrated the consequences of neglecting stakeholder interests. External feedback was rarely considered, and stakeholders were viewed more as compliance checkpoints than strategic allies. This disregard led to disputes, regulatory delays, and significant cost overruns, echoing Freeman's prediction that sidelining stakeholders undermines long-term value creation.

Project Lifecycle and Engagement Timing

The importance of **early stakeholder engagement** throughout the project lifecycle is heavily emphasized in the Project Management Institute's (2021) guidelines and supported by scholars such as Aaltonen & Kujala (2010). These sources argue that risk exposure is highest during early project phases, and therefore, involving stakeholders at this stage allows for more effective planning and mitigation.

This aligns directly with the practices observed in **Company B**, which began engagement in the feasibility phase. Risks related to land-use permits, technical design changes, and inspection timing were identified and resolved early, contributing to smooth execution. Conversely, **Company C** began engagement only after issues emerged, confirming the idea that **delayed involvement restricts risk visibility and amplifies uncertainty**.

Communication and Feedback Integration

Yang et al. (2009) identified critical success factors in construction projects, including the frequency and openness of communication with stakeholders. In their study, projects with structured feedback mechanisms experienced fewer disruptions and lower cost variability. The same pattern appeared in this research: **Company B**, which maintained regular meetings and actively incorporated feedback, outperformed **Company A**, where

communication was limited to milestones, and **Company C**, where it was largely reactive.

Moreover, Reed (2008) emphasized the role of **deeper engagement forms (e.g., collaboration and empowerment)** in building legitimacy and trust. Company B's practices reflect this, especially in how stakeholders were invited to influence technical decisions. **Trust-building** was not merely symbolic but had tangible benefits, such as smoother inspections and fewer design reversals.

Financial Metrics and Project Performance

The connection between engagement quality and **financial metrics** like budget adherence and ROI has been discussed by Li et al. (2013), who found that consistent stakeholder participation improved investor confidence and budget predictability in Chinese infrastructure projects. Company B's approach mirrored this: by embedding stakeholder feedback into procurement, engineering, and approval cycles, it eliminated scope ambiguity and minimized change orders. The absence of cost overruns in this case provides strong support for Li et al.'s conclusions.

On the other hand, **Company C's financial instability**—characterized by a 15%+ cost overrun—reaffirms Olander & Landin's (2008) warning that stakeholder resistance and poor communication lead to budget escalations. The mining project faced frequent interruptions and regulatory pushbacks, precisely due to the absence of strategic engagement planning.

Extending the Literature to Mongolian High-Risk Sectors

While much of the existing literature focuses on projects in developed economies or large-scale infrastructure contexts, this study extends the application of stakeholder theory to **Mongolia's resource-based and high-risk industrial sectors**. The findings show that the principles of early involvement, communication quality, and feedback integration are **equally critical in emerging market settings**.

Furthermore, the contrast between Company B (energy) and Company C (mining) highlights that **engagement culture, not industry type alone**, drives performance. Even in sectors with similar risk exposure, outcomes varied significantly depending on how stakeholders were engaged. This observation suggests a need to **localize stakeholder engagement frameworks** in Mongolia, adapting them not only to project type but also to organizational culture and regulatory context.

Conclusion of the Section

In sum, the results of this study strongly support the foundational arguments of stakeholder theory and confirm the practical value of engagement practices emphasized in the literature. Early, inclusive, and structured stakeholder engagement leads to better financial outcomes, smoother operations, and reduced risk. The study also highlights a gap in practice: while awareness of engagement principles may exist, only organizations that **institutionalize these practices across all project stages** realize their full value. These conclusions form the basis for the recommendations discussed in the final section of this chapter.

4.6 Practical implications

1. Engage Stakeholders Early in the Project Lifecycle

- **Why it matters:**
  Projects that involve stakeholders in the **feasibility or design phase** consistently perform better in terms of budget control, risk management, and regulatory approval. Early engagement enables the identification of local concerns, technical risks, and permit requirements before they escalate.

- **Actionable Step:**
  Conduct stakeholder mapping and consultations during **pre-feasibility** and include technical partners, regulators, and key cooperating companies in early risk workshops.

2. Institutionalize Feedback Mechanisms

- **Why it matters:**
  Stakeholder feedback only adds value when it is **systematically collected and acted upon**. Company B's ability to integrate feedback directly influenced its success, while Company C's neglect of stakeholder input led to delays and rework.
- **Actionable Step:**
  Implement **structured feedback logs**, assign follow-up responsibilities, and ensure responses to partner suggestions are documented and visible.

3. Shift from Compliance-Driven to Strategic Engagement

- **Why it matters:**
  Viewing engagement as a regulatory obligation limits its value. In contrast, strategic engagement—where stakeholders are treated as collaborators—leads to smoother workflows, higher trust, and better financial predictability.
- **Actionable Step:**
  Create a **dedicated stakeholder engagement plan** that includes not just government approvals but also communication with subcontractors, consultants, and technical partners throughout the project.

5.Conclusion and Recommendations

This chapter concludes the study by summarizing key findings, presenting practical recommendations, and highlighting contributions to both academic knowledge and project management practice. The research explored the impact of stakeholder engagement on financial performance in high-risk industries in Mongolia, focusing on three case study companies in the construction, energy, and mining sectors.

5.1 Summary of key findings

This study explored the relationship between stakeholder engagement and financial performance in high-risk industries, focusing on three Mongolian companies operating in the construction, energy, and mining sectors. Through a combination of case study analysis, stakeholder surveys, and in-depth interviews, several critical findings emerged that contribute both to practical project management and to the academic understanding of stakeholder theory in high-risk environments.

The first and most consistent finding is that **early stakeholder engagement significantly improves financial performance**. Company B, which involved internal and external stakeholders during the feasibility stage, demonstrated strong coordination, minimal delays, and on-budget completion. In contrast, Company C, where stakeholders were only engaged reactively during

execution, faced repeated rework, community resistance, and cost overruns exceeding 15%. This confirms previous literature (Aaltonen & Kujala, 2010; PMI, 2021) that emphasizes the importance of integrating stakeholders into early planning and risk identification.

The second key finding is that the **frequency and structure of communication** are strong predictors of project success. Company B maintained regular monthly stakeholder briefings and had a defined feedback mechanism in place, which helped resolve potential issues proactively. Company A, which followed a milestone-based communication model, experienced moderate disruptions. Company C, which communicated sporadically and often reactively, had the lowest stakeholder satisfaction and the poorest financial performance. These results validate Reed's (2008) emphasis on deeper forms of engagement, such as collaboration and empowerment, which build legitimacy and reduce uncertainty.

Third, the study found that **stakeholder feedback must be actively integrated** into project decision-making to have a positive effect. Company B systematically incorporated technical, regulatory, and partner feedback throughout the design and implementation phases. This led to greater alignment, faster permitting, and fewer design changes. In contrast, Company C rarely acted on stakeholder feedback, resulting in escalated disputes, regulatory interventions, and wasted resources.

Fourth, the data revealed that **engagement culture matters more than industry**. While all three companies operated in risk-intensive sectors, only Company B institutionalized engagement as a strategic tool. This suggests that the success of stakeholder engagement is driven more by internal leadership commitment and project governance structures than by the external risk profile of the industry itself.

Finally, the research highlighted that **stakeholder engagement practices in Mongolia must be localized**. While international frameworks like the PMBOK® Guide or the IAP2 Spectrum provide useful guidelines, they must be adapted to Mongolia's regulatory timelines, stakeholder expectations, and logistical realities. Companies that rely solely on imported models without

contextual adaptation are more likely to face engagement breakdowns, as seen in Company C.

In summary, this study confirms that **stakeholder engagement is a financially consequential process**, not a symbolic or secondary activity. Its impact is measurable, visible across industries, and deeply tied to how, when, and why stakeholders are included in project planning and decision-making. These conclusions provide a solid foundation for the recommendations presented in the next section.

5.2 Conclusions drawn from analysis

The results of this study clearly demonstrate that stakeholder engagement practices significantly influence financial and operational performance in high-risk industries. By comparing three companies—each with different levels of engagement, timing, and communication structure—the analysis reveals that projects with proactive, inclusive engagement consistently outperform those with minimal or reactive stakeholder interaction.

Company B, the energy services provider, exhibited best practices in early stakeholder inclusion, consistent feedback integration, and structured communication. As a result, it completed its project on time and within budget, with high stakeholder satisfaction. Company C, the coal mining operator, lacked these practices and experienced significant cost overruns, delayed permits, and partner dissatisfaction. Company A's results, which were moderate, highlight that compliance-oriented engagement yields some benefit but does not fully capitalize on the strategic value of collaboration.

These findings are consistent with stakeholder theory, which suggests that organizations that recognize and manage the interests of diverse stakeholder groups are better positioned to create long-term value. This is particularly true in the Mongolian context, where regulatory complexity, remote project locations, and inter-organizational dependencies make communication and trust vital to project success.

5.3 Practical recommendations for industry

5.3.1. Engage Stakeholders Early

Stakeholder mapping, consultation, and integration should begin in the feasibility stage. Involving technical partners, permitting authorities, and cooperating firms during early planning helps identify risks, prevent conflicts, and reduce downstream rework.

5.3.2. Formalize Feedback Collection and Response

Use structured tools such as stakeholder feedback logs, review tracking systems, and designated follow-up responsibilities to ensure that input is acknowledged and addressed. This builds trust and enhances efficiency.

5.3.3. Communicate Consistently and Transparently

Regular updates through stakeholder briefings, status reports, and shared platforms (e.g., cloud dashboards) improve alignment and reduce delays caused by miscommunication or expectation gaps.

5.3.4. Assign a Dedicated Engagement Coordinator:

Appointing an individual or team to manage engagement ensures that feedback, meeting schedules, and follow-up actions are implemented consistently.

5.3.5 Adapt Global Frameworks to Mongolian Realities

International models like PMBOK® and IAP2 should be localized. For example, stakeholder timelines must account for seasonal access to remote sites, slower governmental approval processes, and the need for Mongolian-language engagement tools.

5.3.6. Measure Engagement Outcomes

Define KPIs such as resolution times, stakeholder satisfaction scores, and the percentage of adopted feedback. Use these metrics to evaluate and improve engagement performance continuously.

5.4 Contributions to research and practice

This thesis offers multiple contributions to both academic knowledge and industry practice.

5.4.1. Academic Contributions:

- Provides localized evidence linking stakeholder engagement to financial outcomes in Mongolia's high-risk sectors.
- Expands stakeholder theory by applying it to EPC, energy, and mining projects in a developing context.
- Demonstrates the effectiveness of a mixed-methods approach combining case study, survey, and interview analysis.

5.4.2. Practical Contributions:

- Delivers actionable recommendations to improve engagement structure and execution.
- Establishes a baseline for measuring engagement effectiveness in Mongolian project environments.
- Encourages project managers to treat engagement as a strategic function, not merely a regulatory requirement.

5.5 Suggestions for future research

While this study offers valuable insights, several areas remain open for further investigation:

5.5.1. Expanding the Sample:

A larger dataset covering more companies, including state-owned enterprises and foreign-funded consortia, could enhance generalizability.

5.5.2. Quantitative Financial Validation

Future research could incorporate financial records (e.g., budgets, change

orders, contract modifications) to statistically quantify the cost of engagement or lack thereof.

5.5.3. Longitudinal Impact

Studies could track the long-term impact of engagement practices on asset performance, maintenance costs, or stakeholder relations post-project.

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