

# Why stakeholders matter

5 November 2009 by [Dr. Lynda Bourne](#)

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Heathrow's Terminal 5 is a good example of how stakeholders' perceptions of success, or failure, can vary enormously. In this excerpt from Stakeholder Relationship Management, author Dr. Lynda Bourne follows the saga of T5 from construction through to its public opening in 2008, and examines whether the passage of time can alter those perceptions.

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Can an organisational activity deliver its outcome on time and on budget and still be considered a failure, despite delivering 100% of its scope? The answer must be, 'Yes, it can, because people are the key to success or failure!' Other factors can influence the perception (and possible reality) of how successful an activity may be. The process of building Heathrow's Terminal 5 and its public opening in 2008 is a good example of how different stakeholders will have conflicting perceptions of success (or failure) depending on their experiences and expectations, and how the passage of time may also affect stakeholders' perceptions.

The saga of T5 covers many years and many stages. For simplicity this description is broken into three stages:

1. Construction: building of the terminal begins for British Airport Authority (BAA), supported by enlightened contractual arrangements.
2. BAA is sold to Ferrovial.
3. British Airways (BA) moves into the facility and begins operation.

## Stage 1 – Construction

The £4.3bn Heathrow T5 project included a new terminal and satellite building, nine new tunnels, river diversions and road connections to the M25. It was hailed in 2006 as enlightened due to the adoption of innovative project management practices to avert the consequences of the traditional approach used in the UK construction industry. This traditional approach for a project of this size would potentially have resulted in average time overruns of two years, 40% budget overruns and six to eight fatalities, whereas T5 had been completed on time and within budget at the human cost of two fatalities.

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Under the unique T5 agreement, BAA absorbed total risk in all contracts for the project, and developed the concept of integrated teams reflecting a partnering relationship. This pioneering approach concentrated on early risk mitigation to anticipate, manage and reduce risks associated with the project. This change in BAA's culture was described as a 'watershed', creating an environment for early problem-solving, sharing of information and collaboration. One example of this approach was the offsite prefabrication of the terminal's roof to minimise some of the risk of its advanced design.

The T5 project made extensive use of off-site trials and testing, generating major cost and time savings during construction. Part of the roof and façade for the main terminal building was constructed in the Yorkshire countryside to ensure thorough testing before assembly on site took place. This enabled any problems to be revealed at an early stage, and the lessons learned applied to the construction and fit-out of the T5's 21 bays.

## Stage 2 – BAA is sold to Ferrovial

In June 2006, BAA was bought by a consortium led by Ferrovial, the Spanish construction company, and in August was officially delisted from the London Stock Exchange. On its website, Ferrovial describes itself as one of the leading private sector developers of transport infrastructure. With the purchase of BAA, the airports it managed included Heathrow, Stansted, Glasgow, Edinburgh and Belfast City. A large part of its business interests are now (at the time of writing) in airport management.

Ferrovial borrowed \$18bn to purchase BAA, and has been reported as 'struggling' to service this debt. The resulting cost-cutting activities included:

- replacement of many director-level staff with a new (Ferrovial) team to 'improve performance of Heathrow'
- threats to reduce staff numbers in BAA's capital projects division
- reluctance to use the T5 agreement on future projects.

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There may be some connection between the management culture of the new owner, its reported cost-cutting and the quality of T5 facilities when British Airways (BA) began operation in March 2008.

## Stage 3 – the opening

T5 was designed exclusively for BA's use, providing an opportunity to define specific business processes during the design and construction of a new terminal. On its website, BA lists aspects of the new terminal including: seamless check-in, designed to eliminate queuing; improvements in punctuality and baggage because nearly all BA flights arrive and depart from one terminal; state-of-the-art baggage system designed specifically for T5 using proven technology already in use at a number of global airports.

T5 was officially opened on 14 March 2008 by HM Queen Elizabeth and began operating on 27 March. From the first day flights had to be cancelled, passengers were stranded, and more than 15,000 pieces of baggage were lost. What went wrong? The House of Commons Transport Committee published a report called The opening of Heathrow Terminal 5 in November 2008, and both it and the oral and written evidence support the information that was published in the media at the time of T5's opening.

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In July 2007 the terminal was reported as ready with testing on the check-in process and baggage systems being planned. BA management was to take possession of the building mid-September 2007, to test all the facilities and to ensure delivery of the new 'passenger-oriented experience'.

The CEO of BA, Willie Walsh, was interviewed by The Times on the day before T5 opened. His positive and confident approach in answering questions about T5's readiness was interpreted in the same newspaper after the event as hubris: '... he didn't countenance failure before the event, risking this over-confident interview ... our hunch is that he may be so determined, so driven, he simply does not recognise that incompetence could exist in those below him.'

In another interview, Walsh said: 'T5 chaos was in part the result of calculated risk taken by the airline's management... The company had known there were problems with the building from September when BA began to move in its staff and test systems. It was not 100% complete... managers had reviewed their decision to open as planned on 27 March on a weekly basis and had decided that the problems caused by delaying the move to [October]... would be greater than those caused by pressing ahead.'

Staff arriving for the first shifts at T5 were delayed by a number of issues:

- There was a scarcity of specially designated staff car parking facilities, with the staff overflow car parks closed.
- There were delays in passing through security.
- Staff were unfamiliar with the new terminal building and the new systems.
- Baggage handlers claimed that they had not been adequately trained and did not have any support or back-up even on this first day.
- BA asked for volunteers to make up additional numbers to provide this support, but due to low morale staff were not prepared to volunteer on their day off.
- Staff were not familiar with the new resource allocation system and therefore did not know what tasks they had been given on that day.
- Check-in staff continued to add bags to the system, causing the new baggage handling system to overload because baggage handlers were not removing them quickly enough from the belts.

## An analysis

### - Construction of the terminal

The construction of the terminal was lauded as a success, from a time, cost, scope and quality perspective, but also from the management of risk and reduction of disputes and conflicts. Perhaps BAA and BA management were indulging in the 'halo effect' – the construction project went so well, the implementation would also go equally well.

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## - Staff preparation

The reports from staff of inadequate training show a lack of understanding of the importance of training and adequate preparation for implementation. There was no contingency on that first day, no recognition that something might go wrong:

- Management did not ask staff to arrive early to counter potential delays in entering a building they had not entered before.
- They did not pay for additional staff, merely asking staff to come in on their day off to help out.
- The baggage handlers were unfamiliar with the new technology and processes.
- The staff were unclear on their assignments for that first day because they did not know how to use the new resource management system.
- The baggage handling system appeared to have no back-up system to support the new complex system.

What does the experience of the T5 construction project and its implementation tell us about success and failure? BA's reputation is damaged from the events of T5's opening. It did indeed fail on opening, but the failure was clearly a failure to manage the people side – poor preparation of the people responsible for operation of the facility. If T5's success were to be judged just on the completion of the construction project it would continue to be known as a success. But for now T5 is synonymous with failure, because of the poor management of the implementation of the outcome of the project. The perception of the travelling public and many other stakeholders is that T5 'does not work'. BA recognised that they must alter such a perception and have begun a campaign on their website ([www.BA.com](http://www.BA.com)) of regularly promoting improvements in service and efficiency of their operations.

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It will be interesting to see how T5 is perceived in five to 10 years. Australia's best-known building, the Sydney Opera House, was perceived as a 'white elephant' and an 'acoustic and aesthetic disaster' when it first opened in 1973. It is now regarded as the most recognisable tourist destination in Australia: no-one would describe it as a failure today.

Using the example of the construction and implementation of the T5 facilities at Heathrow we can show that success does not just depend on delivering the agreed functionality of the outcome on time, within budget. To reduce the chances of failure and increase the chances of success, attention to the needs and expectations of a wide group of stakeholders is essential. From the perspective of the T5 example, many different stakeholders had many different needs and expectations. These expectations include:

- the UK Government's need to revive the reputation of the UK construction industry through implementation of the Egan Report
- Ferrovial's need to realise its investment in purchasing BAA
- BA's need for an iconic home at Heathrow
- BA's customers' need for trouble-free travel
- BA's staff's need for tools and processes to do their job.

The differing perceptions of the success of T5 would vary enormously depending on who was asked to comment, which part of the whole of the T5 work – construction project, implementation or operation – was being examined, and also at what time relative to the disastrous opening of T5 the question was asked and answered.

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[http://www.mosaicprojects.com.au/Stakeholder\\_Circle.html](http://www.mosaicprojects.com.au/Stakeholder_Circle.html)