

# INTEGRATED MANAGEMENT

P5 students can learn several valuable lessons from Heathrow airport's Terminal 5 project. **Daniel Clark** investigates where it all went wrong.

*"It's the biggest terminal we've ever seen, It's a bigger disaster, you all know what I mean."*

These are the opening lines of the entertaining *Terminal 5 Song*. The track and its accompanying video were posted on YouTube ([www.snipurl.com/d0da6](http://www.snipurl.com/d0da6)) by its creator, Tim Soong, an electrician whose plans to get married in Italy had nearly been wrecked after British Airways lost his luggage, including his fiancée's wedding dress, at Heathrow airport's newly opened fifth terminal. It was a surprise hit on the internet and it was even given radio airtime. The lyrics sum up the overwhelming public perception: the terminal's first days in operation were a complete fiasco.

And yet, before the terminal's opening, its owner, the British Airports Authority (BAA), was eager to tell the story of a triumph of engineering and project management. The construction had been a highly complex affair, comprising 16 major projects and 147 sub-projects. Logistical challenges included having to build between the world's most heavily used runways and one of Europe's busiest motorways, the M25. The terminal is the largest freestanding building in the UK, costing £4.3bn. Unlike most large-scale construction projects, it came in under budget and opened on schedule.

One aspect of the construction in particular even won praise. Such projects are notorious for getting bogged down in litigation as subcontractors seek to avoid blame and penalties resulting from any delays. BAA developed a bespoke legal document, known as "the T5 agreement", which placed all the risks relating to the project with BAA but in exchange demanded complete transparency from subcontractors and a willingness to co-operate quickly to resolve any problems as they arose.

But the terminal's opening day, March 27, 2008, was almost universally described as "a national humiliation". In its first five days of operation, BA misplaced more than 23,000 bags, cancelled 500 flights and made losses of £16m. What went wrong?



In May and July 2008 the House of Commons transport committee held a series of hearings to answer this question and a picture quickly emerged of a number of overlapping problems: car parking facilities for employees were inadequate; security clearance checks for staff were delayed; baggage-handlers were unfamiliar with the new routines; there were software failures; and not all lifts were working. Individually, these could probably have been solved readily, but together they were overwhelming.

When the committee asked what the single biggest factor had been, three key witnesses gave different answers.

Willie Walsh, chief executive of British Airways, said: "Having designed into this project a full six months of testing, we subsequently compromised on that testing programme. That was a mistake."

Colin Matthews, BAA's chief executive, said: "[If I had my time again] I would focus resolutely and determinedly on keeping British Airways and BAA in the same room together."

Steve Turner, national secretary at the Unite trade union, said: "So many issues

were not teething problems but structural ones. They... designed a new system without consulting our people, who collectively have many thousands of years' experience."

For P5 students these comments should bring to life three key aspects of project management – factors that must be considered in making any project a success.

First, there is the technical aspect. New systems must be tested as far as is practical. It should be remembered that Terminal 5 went through extensive testing: 15,000 members of the public took part in 60 dummy runs involving 30 aircraft. Yet it was not enough. BAA's construction work was due to finish on September 17, 2008, but did not finish until October 31. Consequently, several trials were cancelled and the scope of some tests was reduced in an effort to get the project back on schedule.

The second crucial aspect of project management is co-operation and communication among its stakeholders. Such a complex project has many significant players – employees, suppliers, passengers and even government bodies – but in this

case the two key stakeholders were clearly BAA, the terminal's builder and owner, and British Airways, the sole tenant and operator. Success in the project required them to have a good working relationship. In Matthews' opinion, this had worked well during the construction phase, but less so at the end of the project, resulting in confusion, delays and an increasing backlog of problems.

The third aspect overlaps with P4 studies and is in some respects the most interesting factor. Any project is by definition a change, so a successful project must include successful change management. People need to support the transition and feel comfortable with it. Walsh said that the "people aspects" of the project "entailed between two and four days of training and familiarisation. People were brought into the appropriate areas that they would be working in, shown around, shown where they would need to report, shown how the processes would work and the equipment that they would be using. It was what I would call general hands-on familiarisation with the new working environment."

This seems to be the sum total of British Airways' change management programme. There was little recognition that the move represented a significant change in the way that people worked, and that they would need some help adjusting to the transition. Any student of change management knows that there will be psychological, as well as technical, issues.

This is underlined by the testimony given to the transport committee by Iggy Vaid, a senior Unite shop steward working at the terminal. He described the familiarisation

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programme as follows: "People were taken to a hotel, shown some sort of film or slides and told that this was what the terminal looked like. They were then given familiarisation training for three days to cover an area as big as Hyde Park. That was not sufficient at all. For that reason people were totally confused. What was missing was hands-on training as to where the bags would come in and so on."

According to Vaid, employees raised concerns that they weren't being adequately prepared, but these were brushed aside. "The fact is that [British Airways] paid lip-service to, ignored or did not implement any suggestion we made," he told the committee.

Reading between the lines slightly, there was a clear lack of support for the project among the workforce. Vaid, clearly frustrated by the whole experience, believed that BA's corporate culture was a key factor.

"I hate to say that about my own airline, but culturally the existing management structure is one where you cannot tell the emperor that he has no clothes; you have to say his clothes are beautiful," he said. "No supervisor or person can tell his or her boss that the system will not work. If you do, you aren't 'a team player' and you get sidelined."

It would be hard to beat the case of Heathrow's fifth terminal as an illustration of the links among culture, structure, management style and project management. These are all key themes in the P5 syllabus.

By now you may be thinking that a project of this size was bound to have some teething troubles – surely no one could have anticipated these problems? Yet it is worth remembering that, about four months earlier, with much less fanfare, Eurostar relocated its London operations from Waterloo station to St Pancras overnight. The move was a great success: its service achieved 97 per cent punctuality on the first day. Why this was so successful is a matter that students should investigate further (see "Exam practice" panel), but it's telling that Eurostar and its advisers won an award for their change management programme from the British Association of Communicators in Business.

It seems that failing to engage your employees in a project can seriously damage both your reputation – and your bottom line.

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### Exam practice

The contrast between the opening of Heathrow's fifth terminal and Eurostar's relocation to St Pancras station is striking. Take some time to research Eurostar's project. Start by reading the report at [www.snipurl.com/dwz4c](http://www.snipurl.com/dwz4c) and then see what you can find using an online search engine. Then answer this question: what did Eurostar get right that British Airways and BAA got wrong?

### P5 further reading

*The Opening of Heathrow Terminal 5*, House of Commons transport committee report, 2008: [www.snipurl.com/dwyty](http://www.snipurl.com/dwyty).

*Case Study: BAA Terminal 5 Project*, National Audit Office, 2008: [www.snipurl.com/dwyuo](http://www.snipurl.com/dwyuo).

"What did go wrong at Terminal 5?", BBC News online, March 30, 2008: [www.snipurl.com/dwyvk](http://www.snipurl.com/dwyvk).

"Smooth landing for Terminal 5", *Financial Times*, October 16, 2006.

"Change we can believe in", *Financial Times*, June 9, 2008.