Project capabilities for operational outcomes in inter-organisational settings: The case of London Heathrow Terminal 2

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KEYWORDS

- **Project capabilities**
- **Operational capabilities**
- **Dynamic capabilities**
- **Organisational routines**
- **Infrastructure projects**
- **Systems life cycle**
- **Project-operations transition**
- **Operational readiness**

Article Highlight:

This article addresses the operational performance of projects upon their delivery and transition into 'business as usual'. To understand how infrastructure clients and owner/operators can deliver operational outcomes through inter-organisational projects, this study applies theoretical work on 'project capabilities' broadly understood in terms of the ability of firms to deliver projects as the core attribute of their business model.

Using the delivery of Heathrow Terminal 2 (T2) as a case study, the paper identifies three mechanisms that are observed in the genesis of operational outcomes in inter-organisational project settings:

1. Reconfiguring project capabilities
2. Adapting project capabilities
3. Maintaining project capabilities

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What does the paper cover?

This paper fulfils a need for research into understanding the blurry boundary between organising by projects and operations. On the one hand, project delivery is understood as being clearly distinct from business-as-usual operations. On the other hand, a business case for a typical project is predicated upon its contribution towards operational outcomes. The paper articulates the need for a more nuanced understanding of the key mechanisms and practices, within which clients achieve operational outcomes though their projects within temporary inter-organisational settings.

Methodology:

The authors chose to undertake an inductive, interpretive, qualitative enquiry based on a single case: the delivery of London Heathrow Terminal 2. The London Heathrow Airport transformation programme is an epitome of a large organisational undertaking in which the delivery can be seen as battling through complexity, dynamism and uncertainty to deliver value to the client, its shareholders, users and infrastructure operators.

This inductive enquiry proceeds in four parts:

1. A discussion of a selected body of relevant scholarly work on capabilities in both project and strategic management literature.

2. An introduction of the setting for the empirical work in this paper: the handover and operational delivery of London Heathrow Terminal 2.

3. An inductive analysis of interviews with mainly client-side project leadership representatives and other rich data collected in an engaged scholarship effort.

4. A discussion of the implications of understanding the role of project capabilities in balancing stability and change by formulating a dynamic grounded model that can be helpful to guide future research, as well as policy and management practices.

Research findings:

Findings point towards three key mechanisms that unlocked the delivery of operational outcomes on Heathrow T2: (1) reconfiguring, (2) adapting and (3) maintaining project capabilities.

Reconfiguring project capabilities is related to the historical and organisational context in which the delivery of the project was taking place. Past organisational decisions and experience had an important role in project delivery and transition to operations. The handover of the T2 project had to both deliver against very high expectations in terms of the time-cost-quality outputs, while disappointing the external media's expectations of a problematic opening and handover to operations as the main service outcomes.

In terms of the client's pipeline of major projects, T2 was the successor of T5 which, despite the problematic opening, is now broadly perceived to have been a successful project. This fact had a particularly powerful effect of framing the expectations in terms of delivery and opening of Terminal 2, inevitably being understood in reference to T5. The unavoidable exposure to public media was significant and the owner/occupier simply could not afford any kind of perceived failure either during the delivery or upon commencement of operations of the project. This had led to a highly focused strategy for the project handover in T2.

Adapting project capabilities is related to how the project responded to an unforeseen key event that affected the T2 operational business case – the BMI merger – and the change from having to accommodate the shift from the original 18 to the final 26 airline occupiers. This idea explains the ability of the project in the delivery phase to address a dynamic external environment and the consequent uncertainty and disruption, while appreciating that the role of the project was to introduce controlled change into an ongoing stable business by delivering specific and expected outputs on time and on budget.

Maintaining project capabilities is related to organising the operational readiness (OR) and the processes and routines of its enactment at the back end of the project. Maintaining project capabilities as the project moved towards full operations implied a mind-set referred to as "the building of progressive confidence". This progressive confidence is characterised by establishing routines, tests and guarantees to ensure a predictable and stable transition process.

Conclusions:

The discussion of the findings proposes that infrastructure clients can achieve operational outcomes through inter-organisational projects by enacting project capabilities at strategic (reconfiguring project capabilities), delivery (adapting project capabilities) and operational (maintaining project capabilities) levels. The study addresses the acknowledged conceptual tension between stability and change in projects in three ways:

1. The project had to achieve a balance between conforming to the established path of delivery expectations, but at the same time had to break out of the negative expectations about service outcomes upon handover.

2. The project needed to achieve a balance between exploiting the existing opportunities (get the project delivered on time) as well as embracing opportunities for exploration and serendipity that were the result of the (externally or internally induced) changing requirements.

3. The project was a balancing act between stability and improvisation in that, while the OR team was working towards the handover, it was clear that reliability could only be achieved by responding to the situation in a 'rehearsal' model.

This work also contributes to theoretical conversations in strategic management literature, which considers routines and capabilities being clearly different from ad hoc problem solving and finds that the stability and predictability provided by project capabilities provides a space for improvisation and innovation when conditions change.

Significance of the research:

Project and strategic management scholarship recognises the importance of project capabilities that allow firms to deliver projects. Although work on project capabilities is a fast-growing line of inquiry, little is still known about how clients assemble project capabilities to achieve operational outcomes in inter-organisational settings.

This research engages with theoretical ideas from project studies and mainstream strategy, organisation and management research to induce a dynamic model that can be helpful to guide future research, policy and management practices relating to the client-side management of project capabilities.

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Comments from authors:

This research has gained traction, with interest shown by both academics and practitioners. The research team has moved on to consider other forms of project-based organising, such as strategic infrastructure and digital information system programmes where the transition to operations and achievement of operational outcomes is more nuanced in that it often comprises a sequence of handovers. This is revealing the different management approaches and risks that are presented in different project sectors.

The conversations arising from this research are that major infrastructure operating clients are increasingly appreciating the hidden costs of not investing in this area of operational readiness at the appropriate (and often early) phase of the project. Whilst it is easy to see the payroll implications of employing downstream experts when the project is still very much upstream, by not investing in such expertise, the risk is being run that confidence in successful operational service cannot be assured and that unexpected events or developments can derail the project's ability to deliver successful operational services.

Complete article

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Glossary:

Project capabilities	The ability of firms to deliver projects as the core attribute of their business model.
Organisational routines	Repetitive, recognisable patterns of interdependent actions carried out by multiple actors.
Operational readiness	The process of preparing the custodians of an asset under construction, such that, at the point of delivery/handover, they are fully ready to assume ownership of the asset.