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

Vedran Zerjav *, Andrew Edkins, Andrew Davies
Bartlett School of Construction and Project Management, University College London, UK

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Abstract

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 study seeks to apply theoretical work on project capabilities to the domain of infrastructure project delivery in order to understand how the assembly of project capabilities in temporary inter-organisational settings contributes to the delivery of operational outcomes. The empirical enquiry takes place in the context of the delivery of London Heathrow Terminal 2. Through an inductive theory building approach drawing upon semi-structured interviews with client-side project leadership, internal documents, publicly available data and ongoing engagement with the field, we identified three key capability-enabling mechanisms that help explain the genesis of project capabilities in inter-organisational settings: (1) reconfiguring project capabilities, (2) adapting project capabilities and (3) maintaining project capabilities. We discuss and expand these findings by engaging 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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1. Introduction

Project scholarship abounds with empirical evidence suggesting that projects can succeed in meeting their specified deliverables, but then fail to meet the envisioned operational and use benefits (Morris and Hough, 1987; Flyvbjerg, 2009). This should not necessarily come as a surprise, given that operational performance of business systems and benefit realisation are often defined over time-scales of a different order of magnitude from those in project planning, design, and delivery. Surprisingly enough, however, experience in the delivery of major projects is also fraught with examples of projects that failed to fulfil even the basic operational and use expectations immediately post-handover. In its extreme form, a failed delivery can lead to ‘a white elephant’ - a liability and embarrassment, rather than an asset for the client’s business. One example of such a project was the ‘Millennium Experience’ that was a year-long exhibition located ‘Millennium Dome’ in London to celebrate the year 2000, but had to be closed after only one year of being open to the public because of the failure to achieve the visitor numbers and income required to sustain the operations (NAO, 2000).

To avoid this type of situation, clients and owners/operators of both corporate and public projects should possess capabilities for transforming tangible project outputs (e.g., software, built assets) into long-term operational and service outcomes (e.
g., increased productivity, better customer experience) (Morgan et al., 2008). The issue of achieving the transformational capability to transition one-off or small batch projects into day-to-day business operations is the main focus of this paper.

Part of the problem is of pragmatic nature, namely projects and operations are traditionally seen as distinct organisational activities (Shenhar and Dvir, 2007). While a project is a one-off structure and activity which dissolves when its goal is accomplished, an operation is an ongoing organisational and productive activity, such as providing consumer with standardised goods and services (Lundin and Söderholm, 1995). Project Management as a set of practices and as a professional discipline has been historically focusing on the delivery of project outputs and much less (if at all) on the broader strategic and operational issues that organisations are facing (Morris et al., 2012; Edkins et al., 2013; Davies, 2017). As a result of this execution-focused mind-set, the smooth project handover and operational delivery is seen as less of a core activity for project teams, who, more often than not, are incentivised to move on to other projects as soon as they have delivered the outputs stipulated in the project brief. In other words, the responsibility of project teams finishes when project outputs are ‘pushed over the line’ into the domain of the client/owner who then assumes ownership of the asset (and any operational disruption that comes along with it).

Extant theoretical work on project organisations has emphasised the importance of ‘project capabilities’ (Brady and Davies, 2004; Davies et al., 2006; Nightingale et al., 2011; Davies and Brady, 2016; Winch and Leiringer, 2016), defined as the ability of firms to deliver projects as the core of their business model. Such capabilities have been recognised as key for the management of projects “through its life from the front-end engagement with clients and sponsors, through tendering and project delivery, to the back-end hand-over to the customer and provision of on-going support” (Davies and Brady, 2000). Recent project studies acknowledge that project capabilities are either embedded in firms themselves, but can also be accessed through ecosystems of actors participating in the delivery of projects across domains of projects and programmes, project-based firms, and owner-operator organisations (Winch, 2014). Recent work on project capabilities also began taking on board literature on dynamic capabilities to explicate, for instance, how dynamic capabilities are developed to support the strategic management of projects (Davies et al., 2016). Despite the growing body of work making the connections between project and strategic management literature on capabilities (i.e. project vs dynamic capabilities), there is currently no research into how the project capabilities are assembled and enacted to deliver operational services. The aim of this article is therefore to respond to this call by developing a more nuanced understanding of the key mechanisms and practices, within which clients assemble project capabilities within temporary inter-organisational settings.

We therefore posit the research question for this enquiry as: How do clients assemble and enact project capabilities for delivering operational outcomes in inter-organisational settings?

To advance the argument about the project capabilities for the delivery of operational outcomes, we note the importance of the back end of projects and the ‘transition to operations’, which is where the operational outcomes in inter-organisational settings are realised. Nonetheless, while scholars have identified both the importance of transitions between phases within a project (Lundin and Söderholm, 1995) as well as the challenges of project handover and transition into operations (Morgan et al., 2008), empirical studies into project handovers are few and far in between (Whyte et al., 2016; Winch and Leiringer, 2016). Existing work, for instance, elaborates the data handover practices within a limited window of time (Whyte et al., 2016) and the aftermath of a failed handover and operational delivery (Brady and Davies, 2010). These studies are important as they begin to unpack some of the project capabilities that are necessary not only to deliver but transform projects to their long-term operational and use existence. The identified paucity of research into operational drivers and their implications for projects (Davies et al., 2009, 2016; Brady and Davies, 2010; Whyte et al., 2016; Winch and Leiringer, 2016) in the context of the systems lifecycle approach, which integrates strategic, delivery, and operational considerations into a multi-domain decision-making continuum (Edkins et al., 2013; Morris, 2013; Artto et al., 2016; Matinheikki et al., 2016), provided this study with the theoretical basis to better understand the capability-driven processes for the delivery and transition of projects in a multi-organisational setting.

Building upon the above body of work and conceptual ideas, we present this study as an inductive enquiry that proceeds as follows. In the following section, we discuss a selected body of relevant scholarly work on capabilities in both project and strategic management literature. We then introduce the setting for the empirical work in this paper: the handover and operational delivery of London Heathrow Terminal 2 – The Queen’s Terminal, the overall success of which was heavily dependent on the successful transition of project outputs (building the airport terminal with its accompanying systems) into service outcomes (using the asset to provide seamless air travel operations for passengers and airlines) from day one of operations. We continue by presenting findings of the inductive analysis of interviews with mainly client-side project leadership representatives and other rich data collected in an engaged scholarship effort. Finally, we discuss 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 relating to the management of project capabilities for the delivery of operational outcomes in projects.

2. Capabilities and organisational routines in projects

The concept of project capabilities was originally introduced to show that Chandler’s (1990) understanding of organisational capabilities needed to be modified to address productive activities undertaken through projects. Chandler identified two levels – strategic and functional organisational capabilities in
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