



# RESET RULES

## MANAGING PROJECTS IN CRISIS

The Berlin-Brandenburg Airport project effectively illustrates what often happens when a project crisis occurs: nothing at all. Sometimes there'll be finger pointing - which is what happened at NASA when the space shuttle Challenger exploded in 1986. Why do people repeatedly make the same mistakes in project crises? And can project crises be effectively managed?

An analysis.

**Preview:** • Space Shuttle project in crisis: lessons learned from the Challenger explosion • Berlin Airport and Stuttgart 21: how project crises occur and escalate • Finger pointing instead of action taking: why it's so difficult to deal with project crises effectively • Emergency helpers: who is suitable as a crisis manager? • Should the old project manager be kept on or replaced? • The first tasks of a crisis manager are to appease the stakeholders and analyse the project • A crucial crisis question: change the project, change the team or abandon the project? • Time to go: The end of the crisis manager's assignment

A black day for the USA and a shock for the world. On 28 January 1986 the space shuttle Challenger exploded above the NASA Kennedy Space Center. Only one minute after taking off from the launch pad, the space shuttle was engulfed by a giant fireball. Sadly, all of the astronauts manning the shuttle lost their lives in the accident. The failure of an O-ring seal, a simple design error, sent seven people to their deaths and plunged a prestigious project into a massive crisis. The astronauts had been lost. The only thing left to be saved was the space shuttle project itself - the USA's intention to continue launching manned expeditions into space. This involved bringing in an effective crisis management team to investigate the accident and draw conclusions about its cause. Almost 30 years have passed since the space shuttle crisis triggered by Challenger – yet many aspects of it are still relevant for present-day projects in crisis such as Stuttgart 21 and Berlin Airport. An analysis of the actions taken by NASA after the accident to get the space shuttle project back on track provides useful lessons for the people involved in the large-scale public sector projects that have been in the headlines recently and for managers of private organisations who have to deal with smaller project crises. Firstly, the NASA crisis demonstrates the right action to take in project crises. Secondly, it shows how far from obvious the appropriate action to take is to the people involved - and what devastating effects their failure to act can have. The Challenger accident also illustrates how crises can happen in the first place and how they can be prevented.

### **NASA, Berlin Airport and Stuttgart 21 show that 'groupthink' makes crises worse**

The people running projects are generally to blame for project crises and, in many cases, these crises can be foreseen at the outset of the project. Some of the main reasons why projects veer off course are unclear project objectives or the failure to communicate them, deficient project planning, the imprecise definition of the work to be performed by each member of the project team, weak project management and a project-unfriendly organisation culture which doesn't permit any mistakes (see box on p. 3).

NASA had two weaknesses. Its organisation culture wasn't geared to transparency and the decision paths were not clearly defined. External pressure had an additional devastating effect. Some members of the NASA middle management team had been aware that these weaknesses existed, yet they had been collectively covering up problems for quite some time. None of the people in the project dared to voice an opinion. This psychological phenomenon is known as 'groupthink' - a collective desire for harmony or conformity which means that the team as a whole acts in the prescribed way, even against individual members' better judgement.

Despite all its shortcomings, groupthink is a widespread phenomenon in projects. Look at the Berlin Airport project. The project team didn't admit that the airport wouldn't be ready for the scheduled "final" opening until March 2012, only weeks before it was scheduled to take place. They had actually been aware that the airport would never be ready in May for quite some time. The Stuttgart 21 rail station project crisis occurred for similar reasons. In this case, however, the project team closed its eyes to a future problem. The citizens' protest against trees being felled and green spaces being eliminated to make way for a mega station came as no surprise. However, the project team

refused to budge from its original, legally correct approach and ignored the possibility of stakeholder resistance instead of talking to the people of Stuttgart in a much earlier phase in the project, thereby preventing a nationwide protest.

### **People typically point fingers instead of taking action in project crises**

NASA was evidently still in denial immediately after the accident happened. When the space shuttle exploded, the entire mission control team fell silent. "Obviously a major malfunction," said the NASA launch commentator, breaking the silence. Photos that were coincidentally taken at this very moment show the mission control team sitting, frozen faced, staring at their VDUs.

NASA stayed silent for quite some time. It initially kept a very low profile and tried to prevent information about the disaster from being made public. This low profile phase was followed by a finger pointing phase. The people responsible tried to shift the blame to others. The solid rocket booster manufacturer said that NASA had insisted the launch went ahead, while NASA accused the manufacturer of not fully informing it about the problems that caused the explosion. Neither the flight director nor any of the chief engineers held a press conference. As a result, the rumour mill started buzzing. Instead of working together as a team to pull the space shuttle project back into calmer waters, the people in the project exacerbated the crisis with their ineffective communications and other actions that they took.

A milder form of finger pointing was also an issue in the Berlin Airport project. Although no accusations have been exchanged within the team, nobody wants to assume responsibility for the project. Even now, the public still has no idea who is actually responsible. The architect's office? The supervisory board? The project management

team? Only a few of the vast catalogue of structural defects have been communicated to the public and no reasons have been given.

This is inappropriate behaviour. But it's human. In serious crises, people instantly revert to their basic fight or flight instinct. The body produces adrenalin in response to stress. This can manifest itself in different ways such as being paralysed by shock, acting aggressively or running away. Whichever of these responses a person demonstrates, it is generally an impulsive response, while rational action tends to be the exception.

## **THE 7 MAIN CAUSES OF PROJECT CRISES**

1. Deficient project planning and imprecise specifications
2. Project objectives that are communicated ambiguously or not at all
3. Project management mistakes
4. Incompetent or weak project management
5. Lack of control
6. Lack of project orientation in the organisation's culture
7. Conflicts between the line organisation and the project organisation

### When a project falls into chaos, you need a crisis manager with a cool head

It's essential to have a person with a cool head who is the exception to the rule and can guide the project through a crisis. He has to know how to give the project team constructive support, get them motivated again and put the project back on track. He has to be able to take a calm and considered approach to developing an effective crisis strategy and getting all the project stakeholders to cooperate in its implementation. The crisis manager can be the project manager, but he doesn't have to be. An outsider contributes neutrality and fresh ideas on how to resolve the situation. The crisis manager can either be someone from within the organisation or an external consultant.

When a crisis occurs, the first thing you have to ask yourself is: Is the current project manager the most capable and qualified person to handle the crisis? If he is the best choice as crisis manager, he has to take on responsibility for developing the crisis strategy in addition to his project management function. If he isn't suitable as crisis manager, you have to consider whether he can continue in his role alongside the crisis manager or whether it would be better to replace him.

Reasons why it may be necessary to replace a project manager include the project team's non-acceptance of his management competence, his lack of methodical competence or opposition to him within the organisation. In many cases project managers are used as scapegoats and have to shoulder the blame - by resigning or being sacked - for things that they aren't responsible for.

### External crisis managers have more power than internal ones

The advantage of a crisis manager coming from within the organisation is that he is familiar with the organisation's internal processes, communication channels and, ideally, he will be extensively networked. The disadvantage is that internal crisis managers sometimes feel bound to follow the organisation's 'official line' and tend to

shy away from discussing problems openly - partly to protect their own agenda (e.g. their department's strategy) and partly because they don't want to communicate eye-to-eye with the executive management. An external crisis manager doesn't have these problems, because he is engaged by the executive management to solve the problem. He will have no qualms about pointing out weaknesses. However, he doesn't know the ins and outs of the organisation or its employees, so it will take him longer to get into his role.

After the Challenger disaster it soon became clear that the problems couldn't be solved within the organisation, so an independent commission was appointed. The commission's job was to analyse the accident and its causes and make recommendations on how such catastrophes could be avoided in future. The members of the Rogers Commission, as it was called, were internationally acclaimed experts. It was chaired by Sally Ride, the first woman astronaut in space. She had one personal quality that is absolutely essential in crisis management: courage.

In addition to courage, a crisis manager has to have extensive project management experience because crisis resolution is a project in itself - albeit a project with a relatively restrictive framework. In other words, an effective crisis manager has to know the rules of project management and follow them. The crisis project management system and procedure is always identical - so the crisis manager's sector experience is of secondary importance.

### Appease stakeholders first, then analyse the project

One central function of a crisis manager is stakeholder management. This necessitates a great deal of tact and diplomacy. Clever crisis managers always conduct face-to-face meetings as the first step in crisis management so that they can assess the expectations of all the people involved in and associated with the project. Generally, these people feel very unsure, impatient and anxious in a crisis situation. The crisis manager will do everything in his power to build personal relationships with the key stakeholders and decision makers. In the next step, he forms a core team of selected project participants who will be involved in future decisions. Information events, regular project meetings, a project extranet and the social media are all important tools in the communication process.

At the outset of the crisis management process, a comprehensive analysis of the project is necessary in addition to motivating all project participants and stakeholders. The analysis should cover the main aspects of project work and identify weaknesses and strengths. The analysis can be geared to the Deming cycle of continuous improvement, which involves the four steps of plan, do, check and act. In the analysis phase, it is necessary to answer questions such as: How does the project manager approach his management responsibilities? How does he treat his team? Does he follow project management rules? Questions relating to the crisis itself include: What is the current project status? What are the problems and what is causing them? Could the problems have been caused by failure to include key individuals in the project? (See box).

## 7 TIPS ON CRISIS PREVENTION

1. Regularly check that basic project management rules are being applied.
2. Question your own actions and motives from time to time.
3. Ask independent experts to audit the project.
4. Attend regular training courses and workshops.
5. Benchmark your project with other projects in your own and other sectors.
6. Don't wait too long to take action when things start to go wrong - it's better to respond too early than too late.
7. Listen to other people's opinions, even if they differ from your own or make you feel uncomfortable.

## WHAT ARE THE MOST IMPORTANT ASPECTS IN A CRISIS ANALYSIS?

The first thing to do in a crisis management situation is to analyse the project in detail. You have to ask the right questions to gain the information you need about the project's progress up to the point when the crisis hit.

### Questions about the project

- Were the project objectives defined and communicated (stakeholder management)?
- How does the project manager approach his management responsibilities?
- How was the team treated a) by the project manager b) by the line managers c) by the organisation?
- How were resources handled, e.g. funds, materials, logistics?
- How were the project management processes handled? Were general project management rules followed?

### Questions about the crisis

- Could the project crisis have been caused because the customer wasn't involved or involved enough in the project?
- Could the project crisis have been caused by the non-involvement or inadequate involvement of other stakeholders, e.g. suppliers or other stakeholders with little influence on the project?
- What is the current project status?
- What are the problems and what is causing them?

**Change the project, change the team or abandon the project?**

A systematic solution to the crisis is only possible when these questions have been answered. The next process in crisis management is the definition of next steps. The crisis manager has to make a recommendation in this respect. There are three options available to him: 1. Continue the project after making the necessary adjustments. 2. Radical changes, such as the replacement of team members and possibly even the project manager. 3. Abandonment of the project.

The third option is the best choice when the project is no longer economically viable, i.e. if it is unlikely to generate a profit or ROI in the foreseeable future. In development projects, the achievement of objectives is of central importance. If it becomes evident that the development objectives will not be achieved within a realistic time-frame or perhaps not at all, it's time to abandon the project. In the IT sector, many projects are abandoned if the software being developed doesn't deliver a satisfactory result after several attempts.

Venture capital projects, on the other hand, are often continued even if they don't generate profits in the medium term because they are expected to be successful in the long term. That's why public sector projects are not usually abandoned. The construction of the new Berlin Airport will certainly not be abandoned, even though more than twice the original budget has already been spent and there is no end in sight to all the additional costs.

**Project management rules apply in crisis management**

The crisis manager's job usually ends when he has made his recommendations. Now, the responsibility for the next stage of the process passes to the organisation. Occasionally the crisis manager is requested to implement the recommended measures. However, whether the crisis manager just recommends or actually implements the solution, he has to plan it and implement it in the same way that he would a project. In other words, crisis management is a special-purpose project that follows all rules of classic project management.

NASA decided to continue the space shuttle project. The Rogers Commission which was appointed by the US government presented it with a list of proposals on future crisis prevention, though not all the proposals were heeded. The design defects in the solid rocket booster were eliminated and a different O-ring seal was used. However, the proposals on additional safety systems for the astronauts such as the option of splitting off the cockpit were not implemented. Above all, NASA did not introduce any permanent changes in its flawed organisational culture, thereby rejecting the Commission's most important recommendation. NASA refused to establish an independent external safety bureau. As a result, it failed to address one of the biggest contributory factors to the Challenger accident, namely weaknesses in its management structures.

The same „flawed decision making process“ that had resulted in the Challenger accident was responsible for another space shuttle accident in 2004. The Columbia broke up on re-entry into the Earth's atmosphere as a result of its thermal protection system being damaged during the

launch by a suitcase sized piece of foam that had broken off the main tank, striking the underside of the wing. Once again, a design defect caused the problem. Once again, NASA was aware of the problem but hadn't taken appropriate action to resolve it. Once again, deficiencies in NASA's communication paths came to light.

The example of the NASA space shuttle project illustrates how crisis managers often have to call long-established structures and concepts into question and make changes - which generally meet with resistance. In Berlin Airport, Stuttgart 21 and any other project in crisis, the project will never get back on track unless the project manager can eliminate resistance and turn opponents into supporters.

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**SERVICE**

**RECOMMENDED READING**

**Roland Ottmann: The Naked Project Manager. 1st edition, Ottmann & Partner, Nuremberg 2012, EUR 24.95.**

An interesting combination of textbook, how-to guide, novel and comic that was named the IAPM's "Book Of The Year 2013." The author pools 25 years of hands-on project management experience in this book. It contains numerous checklists and to-the-point summaries and is as informative as it is entertaining. The key topics of stakeholder management and risk analysis are given plenty of coverage.

**Werner List, Roger Voight: Kritische Projekte retten. Leitfaden für Diagnose, Sanierung und Prävention. Hanser, Munich 2010, EUR 39.90 .**

This German language book delivers exactly what the title promises. It contains sound guidelines on taking a structured and comprehensive approach to helping projects in crisis. When a project runs into a crisis it can be challenging to reconcile the behaviour and expectations of the project team and those of stakeholders. The authors provide an illustrative account including many practical examples of how to manage projects in crisis and take them forward out of the crisis.

**Gregg Braden: The Divine Matrix. Hay House Inc., California, USA .**

Gregg Braden's book is an educated antidote to scientific doubt about the world of spirituality. He explains the divine matrix that Max Planck identified as the place where the birth of stars, the DNA of life, and everything between originates. This divine matrix reflects all our convictions and attitudes. Even projects and their progress can be viewed in the context of the matrix, which is why I like to recommend the book. It helps readers to 'think outside the box'. I was very impressed by my own experiences with the divine matrix concept this year.