

THE SUPPLY OF PROJECT INFORMATION TO EXTERNAL STAKEHOLDERS

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Abstract

This paper is about the supply of information to stakeholders of mega projects. In Germany there are several mega projects in progress today that should have been finished long ago. The projects are special because of two aspects. Firstly, they all had to face much higher costs than expected and a longer construction process than estimated at the beginning. Secondly, all the projects failed to inform their stakeholders, especially the public. Although there are multiple reasons behind the project's delayed development, this paper shall focus upon the information flow. Why do people refuse to give information to their stakeholders and which consequences could have been avoided? At the end there will be some recommendations for better usage of information that can lead to project success.

Key words: Information, mega projects, stakeholder

JEL Classification: D84, O22

Introduction

Today the access to information is better than it has ever been before. People from around the world have access to the same information at the same time without any delay caused by delivery. In relation to these new possibilities, there are many technologies that focus on the problem of information flow within a project: Project Information Management Systems were developed because of the high importance of information. But even though people are aware of the importance there are just a few companies that have implemented an information system that also informs stakeholders outside the company. Moreover there are several cases showing people obviously avoiding the share of information. That consequently leads to problems that maybe could have been avoided.

Currently there are several mega projects in progress in Germany that have already had to face enormous delays and enormous additional costs. This phenomenon aroused the question, whether there are special reasons that cause the mentioned problems. Next to many different multiple reasons that can be named, this paper shall focus upon the information flow within a project. In particular, reasons will be identified why managers avoid communicating the right information, or giving new information at all. Moreover the consequences which have already occurred will be examined.

This paper will begin with a short overview of the need of information that the most important stakeholders have and how they could be informed. Afterwards, three current mega projects in Germany will be presented, to show how external stakeholders are actually informed and what results can occur. The focus will be on some examples and mainly on

the public. Finally, some recommendations for a better communication will be given. Followed by a summary of the most important arguments.

The need for information

In a project there are different stakeholders which all have different needs of information. One important stakeholder of a project is of course the customer (Biafore, 2006). They want to be informed about the progress that has been made, the money that was spent and the results that were archived. They have the final say about important aspects within a project. Executives should be even better informed. They need all information about progress, cost and quality. In particular, they have to decide whether a project fits to the companies objectives and whether a project should be continued or not. The team members need to understand their work and what they want to achieve. Finally the project manager needs to know more than all the other stakeholders. Managers must care about the performance for the entire duration of the project and must compare the planned results with achieved results.

Therefore, all stakeholders must be provided with the right information at the right time. In the case where information flow is successful, many other advantages can be found. For example the productivity can be improved, errors can be avoided, better decisions can be made, improvements can be seen and the project management is easier to handle (Biafore, 2006). Especially the communication with external stakeholders can improve the reputation and helps to discover new trends that may lead to new innovations. The company can even influence the public opinion and new laws that are implemented (PWC, n.d.). Thus, one

can state that information is a source of power that leads to project's success, when it is used in the right way (Biafore, 2006).

To reach the aim of a good information distribution, several software solutions exist. For example SAP provides a software named SEM-SRM that focuses on the communication with stakeholders. The software enables the company to define separate stakeholder groups and to deliver each group with the needed information. Moreover one can receive information about your stakeholders. One can prepare a questionnaire and send it to special groups. Therefore, an overview is gained of the special needs of each group that can vary greatly and often conflict. For example, investors focus on the shareholder value, while this can conflict with the employee's interests. The software helps to find the best solution that all stakeholders can accept (SAP, n.d.).

But even though managers are aware of the importance of information and software solutions, there are just a few companies that use the potential the communication with customers, media and investors provide. Most of the companies are only concerned about the strategy and objectives within the company.

Employees and managers have access to the same information but stakeholders outside the company are often disregarded. To inform them seems to be an unpleasant, only compulsory task. But as already mentioned there are several advantages the communication with external stakeholders can achieve (PWC, n.d.).

In the following, the focus will be on three mega projects in Germany and the communication with external stakeholders, especially the public.

Airport Berlin-Brandenburg

One bad example for a mega project that continues to deliver false information to the public is the new German airport in Berlin-Brandenburg. The construction of a new, very big airport is still in progress, while the first opening date was scheduled for October 2011. One year before the opening date the date was rescheduled to June 2012. But even this date could not be met, and was moved first to March 2013 and then to October 2013. Today there is no opening date at all, just the expectation that it will last one or two more years to finish the mega project. Finally they stopped informing the public in view of uncertain development (Diekmann et al., 2013). Now the airport costs 20 Mio. Euros every month, because of round-the-clock lightning and air-conditioning. The costs are even higher than those of the Berlin Tegel Airport, where more than 400 aircraft take off and land every day (Spiegel, 2013). Therefore currently one can expect costs of 4.7 billion euro instead of 2.4 billion as initially estimated (DPA, 8/2013).

Next to the main fire security problems that are responsible for the mentioned delay, one of the main reasons is disregarded and undelivered information. The board members had no real sense for critical details, technical problems and cost estimation. They trusted the workers like a young couple trusts in the builders of their new house. In June 2010 they realized there were serious problems, they had to face. But instead of going public and presenting the problematic themes to their stakeholders, the supervisory board chairman decided to give the impression that there were no problems at all. He even focused on new pieces of art for the terminal. In January 2011 the serious remark of an expert that everything will be much more expensive and take much longer, was ignored. Instead the board

trusted in the chief planner's statement, that he had the situation under control (Berg et al., 2012).

In consideration of the mentioned example one can easily see the problem of information flow. Even though the major reason for the opening date's delay was fire security problems, one could have been dealing with these problems much earlier and more effectively. Information was available, but people refused to take it seriously. Especially as the supervisory board chairman was Wowereit, the mayor of Berlin, himself. Therefore, besides a mega project and all problems connected with this, there were many other objectives occupying his mind, such as the next election. But next to the refusal of information, the delivery of wrong information must be considered.

One group of important stakeholders of an airport are of course airlines like Air Berlin. The second biggest airline in Germany already had to face serious problems in the last years and decided to focus on the new airport and turn it into their new hub. Due to the unexpected delay, the airline had to face the loss of millions of euros. For this reason, at the end of last year Air Berlin sued the new airport for compensation for damage (Reuters, 2012). In view of the current unpredictable situation of the new Berlin airport one can easily expect further claims in the future.

Another important stakeholder of the airport is the German railway company: Die Deutsche Bahn. They built a new underground connection to the new airport in view of the coming opening. Till October 2012 this construction already incurred costs of 34 Million Euro and each further month two million Euros mounted additionally. Therefore, the company is eager to retain these losses (Reuters, 2012).

Further one can name the public as stakeholder. As the Airport Berlin-Brandenburg will be one of the biggest airports in Germany, a big part of the population is interested in the complementation and utilization of the airport. But because of the constantly published bad news about the airport, this has already become more a joke than a reputable building. Even before the opening the reputation was very bad and there will have to be a lot of promotion and supportive publicity to change the current attitude of the public.

Thus, in consideration of just three important stakeholders one can see the effect of hidden and wrong information. In the first two cases the supply of wrong information resulted in further considerable losses. And apart from these mentioned losses, additional problems can follow. For example Air Berlin could decide to focus on another airport as a hub, which would be even worse than the current situation. The transportation system must be connected, but in view of the uncertainty of the Airport Berlin-Brandenburg, no stakeholder is able to make future plans including the new airport. So it is more and more important to keep in touch with the most important stakeholders and deliver as much information as possible. And even when no opening date can be named for sure, there should be at least a reliable prediction. Thanks to continuously changing announcements and promises the reputation already suffered a lot.

Elbphilharmonie in Hamburg

Another example for a mega project that could not yet meet expectations, is the Elbphilharmonie in Hamburg. The plan for the orchestra house was presented in 2005 by the mayor with costs of about 77 Million

Euros. This already seemed a lot for the inhabitants of Hamburg. In 2007 the decision was finally made and the Elbphilharmonie was to be built for 241 Million Euros. The opening date was scheduled for 2010. But because of unexpected costs and security measures the construction process stopped one and a half years ago (Diekmann et al., 2013). Just this summer the construction continued and the estimated costs are now about 789 Million Euros high. So this is ten times higher than originally presented (Spiegel, 2013). The opening date is now scheduled for spring 2017 – seven years after the first announcement (Diekmann et al., 2013).

In comparison to the Airport Berlin-Brandenburg the costs in this case are even more important than the missed opening date. Many people claim the height of costs and cannot believe that the increase of costs was unexpected. Today only the mayor of Hamburg seems to know where all the money is invested (Spiegel, 2013).

Moving to one important stakeholder one can see comparable problems to the airport project. The public sector, respectively the taxpayers, finance the project. Moreover they are the potential visitors of the Elbphilharmonie and should be confident with the project. Finally the success of the project depends on their willingness to accept and support the new institution. But today the reputation of the Elbphilharmonie is comparable to the one of the Berlin Airport. People make fun of it and do not trust in new announcements.

But as a response to the public's information need, a new law was implemented that forces more transparency. Thanks to the new law, 178 pages of contracts were published on the internet. This already was a major step to regain the trust of the public. But even though information is theoretically available, nearly nobody can judge the given information (Zeit,

2013). Moreover not all information is included. For example the architecture contract is not included, so people still don't know about the whole cost structure (Pergande, 2013). But even though not all information is included and understandable for everybody, the taxpayers feel better about the project since important information is delivered. Therefore, there are always people that understand at least parts of the contracts and can share this understanding with others.

Thus, one can see a development of the information flow. People feel better about the project just because they can access important information even though they do not take the time to examine them. Politicians must also care more about their decisions and contracts just because the information is more available (Zeit, 2013).

Stuttgart 21

The third example of a mega project in Germany that failed to inform its stakeholders is the mega project 'Stuttgart 21' – the construction of a new railway station in Stuttgart. In 1994 the project was presented and costs of 2.5 billion Euros were estimated. In 2008 cost expectations were around 3.1 billion, and since the end of last year there are now total costs of 6.8 billion euros. Budgeting and planning mistakes are apparently the reason for the increase of costs (Diekmann et al., 2013). Current reports even present cost estimations of 8.5 or even 10 billion euros (DPA, 2013).

The opening date is also rescheduled. Like the name 'Stuttgart 21' already includes, the station should be in operation in 2021. The newest announcements reveal a delay and plan to open the station one year later (Böhmer, 2013). In comparison with the two other mentioned projects the

delay does not seem to be long. But it is still early for final estimations and conclusions.

One of the main problems with the mega project Stuttgart 21 was the resistance of the population. They claimed information was incomplete, not given or even wrong (Brettschneider, 2011). The Deutsche Bahn is blamed to have presented higher costs long after they knew about them and especially after decisions were made (Durchdenwald, 2013). The protest was on the street, in Facebook and Twitter but also in the Mass Media. People claimed the politicians wouldn't take the public seriously.

In general the project is a good example for bad communication. First of all the different shareholders, the Deutsche Bahn, the city of Stuttgart, the state of Baden-Württemberg and the federal government in Berlin presented different information. Secondly, people had to fight for information. There was no proactive information. And people did not receive appreciation for their suggestions and arguments. The third critical aspect is the focus of the communication. The politicians focused on technical issues rather than the benefits for the society. And, as a last point, the station was presented without any alternatives. It seemed inevitable – people were left without a choice (Brettschneider, 2011).

So the major problem was the ignorance of the public sector, respectively the taxpayers. But finally the politicians recognised that they had to act and work against the resistance. So they initiated a TV show, live on different channels, on the internet and in the town hall. A discussion between the two oppositions where all questions could be asked and all answers were given. The aim was to provide the missed transparency. More than five million people watched the discussion, where expert jargon was translated into laymen communication. 68% of people in a survey judged

the discussion as positive because important aspects were mentioned and information were easy to understand. Moreover there was a survey before and after the TV show. Before only one quarter of people said there was enough information about the project. Afterwards nearly half of the people stated that the information offered was sufficient. (Brettschneider, 2011).

Therefore one can conclude that the politicians understood the problem and started to work with the people. But there is still a strong resistance. On the third anniversary of Stuttgart 21 last month, 4,000 people demonstrated again against the project. This is even more than the last time, when only around 1,500 to 1,800 people were on the street (DPA, 2013). It is comparable to the Elbphilharmonie. After people had to fight for information they finally received them. But they still do not feel involved in the decision process. They still do not believe in new announcements and the reliability of the current schedule and costs.

Another problem is that the reaction towards the public sector was too late. People were already convinced in their opinion towards the new station and organizations against the project were already founded. So in most cases it is only possible to reduce the anger and resistance against the project. To turn opponents into supporters is an even more difficult maybe even impossible task (Brettschneider, 2011).

Recommendations

After considering three examples for bad stakeholder relations one can give some recommendations for the future. The most important point is to give easy access to the information. One can use a software program like the one from SAP and divide the different stakeholder groups, so that it is

easy to offer the right information to the different groups. In case the purchase of a program is too expensive one can simply share information via the internet and the press.

But people need more than just the access to important information. They need the right information at the right time in a comprehensive way. Shareholders ask for different information than consumer. Moreover one has to avoid an information overload. Simply to provide a hundred pages of contracts is not suitable for many stakeholders. Information have to be adapted according to the different groups.

Moreover information must be presented as options, not as fixed decisions. Stakeholders want to have a choice. They want to decide. The material has to be neutral, even though they have to be prepared for the different groups of interest, so that everyone can understand and follow the discussion. One must provide transparency as much as possible (Brettschneider, 2011).

Another important point is to mention and explain the objectives of the project. All the positive and negative aspects should be presented. In most of the cases there will be no agreement between all stakeholder groups and there will always be people against a project, but it is important that their arguments were taken into consideration. Opponents have to receive an explanation so that they feel appreciated (PWC, n.d.).

Conclusion

Finally it is obvious that there can be many negative outcomes without sufficient information supply. All the three mega projects had to face increasing costs that were in one case even ten times higher than estimated. In fact all projects are still in progress and we still do not know

the final result. Secondly, all the projects had to cope with a delay. In many cases problems were considered much too late so that the schedule had to change and deadlines could not be met. Further, some projects had to deal with accusations and as a result of this, really bad reputation. All the projects are now famous for political failure and arrogance.

The mentioned problems were all caused by different informational problems. The first one is the disregard of information. People tend to avoid bad news and try to focus on good news. In a project with many different managers and executives there are always optimists and pessimists. If you follow the optimistic reports you can easily avoid caring about difficulties. Especially in a large team no one feels responsible for news.

But sometimes information is simply not given. Project managers assume everything will work out till the next deadline and they prefer not to inform others. Especially politicians hide information to avoid resistance in the public. But in the three considered cases the bad news will always come to light.

Another problem is that people do not understand the information. As mentioned at the beginning it is easy to share information and access it. But often the board members are not able to interpret all the information. They do not have enough experience with mega projects, so they need the judgement of the technic people, who are often not included in the decision process.

The problem of understanding information is also valid for the public. The Elbphilharmonie in Hamburg simply provided all information on the internet. But only a small amount of people really can cope with the numbers and understand the jargon of the contracts. Therefore it would really be necessary to add a document which only contains the important

numbers and explanations. But even without explanation people feel better about a project when all numbers are published. Politicians have to be careful then. When everyone has free access to the numbers, executives will certainly act more responsibly to avoid possible resistance.

It is important simply to pay attention to the stakeholders because they want to be heard. It is more important to appreciate contra arguments than to have the perfect arguments against. Nonetheless there has to be good arguments for the project that bring benefits for the public. So an airport, a train station and especially the Elbphilharmonie will certainly increase welfare, but this has to be promoted. The Elbphilharmonie seemed more like an exorbitant building that politicians built for their own reputation.

When a mega project is presented to the public that is financed by taxpayers, people are always sceptical. When the costs increase they receive a confirmation of their expectations. The Scientist Rothengatter found out, that many mega projects are presented to find acceptance rather than present reliable information. So it is common to present cost estimations much too optimistically. Risks are faded out. Many projects would have never been accepted and implemented after a realistic presentation. Moreover executives never feel responsible as long they do not have to pay for increasing costs on their own. They only receive the benefits from successfully implemented mega projects (Diekmann et al., 2013).

Ultimately, one can state that it is of high importance to deliver information about mega projects. Even though one cannot blame dissatisfactory information flows for all the delays and cost increases, it is an easy task to improve the information management within a project and to improve project success.

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