

## ***On the Impact of Disruptive Political Events***

LETTER TO THE EDITOR

***On the subject of the December 2016 Editorial on “[The Potential Impact of Disruptive Political Events](#)” and the response by Max Wideman per 30 December 2016***

22 January 2017

This is in response to an interesting discussion started by David Pells, Managing Editor of PM World Journal, in his 1. It was followed on by a [response by Max Wideman in the January 2017 issue](#). It is not just a technical discussion; it touches the core question of what the formal and actual role of a project manager is. It also relates to our self-perception and the interactions between us and the physical, economic, social and political world in which we do our projects.

In a world in turmoil, where politicians have become popular by making and implementing decisions without full considerations of their impacts, these are not secondary topics, they deal with a very basic question of our profession: project management must build on professional realism, but how do we behave as realists surrounded by people who consider things easy or turn to panicking.

David Pells with reference to an article published in 2009 raises the point that project managers need awareness of the political and social systems and must consider interactions with them. In essence, Max’s response is that this is not the job of the project manager but of the managers of the performing organization. There is truth in both positions, and while they seem to contradict, together they describe the two fringes of a journey that takes us between two monsters, ignoring politics or getting fully involved in them. Navigating between two monsters is a common task of a project manager when we have to lead our projects between two extremes and at the same time must stay at a sound distance to both.

A very recent example:

The German automotive supplier SHW AG just lost a business with the US maker of electric cars Tesla. The business between the two companies had obviously two phases:

- A freebie project by SHW to adapt a special axle pump used for hydraulic systems (e.g. for brakes or liquid cooling) to the needs of Tesla and set up a mass production; <sup>1</sup>

- A subsequent production agreed over 5 years with a total value of €100 million (~\$110 million) for the delivery of these pumps after start of production (SOP).

The timing of the project is also interesting: It was concluded in September 2016 for first deliveries in Summer 2017, a project duration of just nine months. Normally, automotive projects to design a component and develop the mass production for it are calculated in years. Add Tesla's habit of making many change requests for such projects in short period of time while expecting that their execution is still part of the freebie nature of the project, and the pressure on SHG becomes understandable. The – as far as I know – rather small margins from the operational production phase were eaten up by the additional costs of managing change requests in the project phase, and the "blitz" nature of the project<sup>2</sup> added to technical risks and consumed a lot of time. The old adage "*Fast, cheap, good, you can pick any two*" becomes particularly important, when the team gets overwhelmed with change requests.

From the perspective of SHW, there was another aspect of the business, which obviously went against the interests of Tesla: They have become a German Aktiengesellschaft, a public corporation, in the year 2011 and were in desperate need of success stories, and Tesla was such a story. In addition, almost half of their business so far was done for just one customer (Volkswagen), which posed a high risk for them, given the current upheavals surrounding this company. Volkswagen can be a very complicated customer, but the same is true for Tesla. Inside the high-pressure environment of automotive industry, the two probably pressurize highest.

In order to meet legal requirements, but also to improve shareholder relations and have a great reference to show to new customers, SHW published an ad-hoc disclosure and press release referring to the new business (SHW, 2016). While the name of the customer was not published in the message, the description made it easy to identify who it was.

Tesla gave several reasons for the cancellation:

- Quality problems on SHW side, disputed by the vendor.
- Inability to meet the deadline
- Breach of confidentiality, probably referring to SHW's ad-hoc message.

Another reason discussed in publications is the influence of the new Trump government in the USA. The President of the USA is not a friend of Tesla's electric propulsion, he strongly promotes the use of fossil fuels instead. In addition, he imposes a protectionist agenda forcing automotive manufacturers to produce and source in the USA. As he selected Tesla's CEO Elon Musk as a member of an industrial advisory board and as the decision to cut Tesla's ties with SHW was made in the direct aftermath of a meeting of this board with Mr. Trump, the idea is at least plausible that firing SHW was a decision made to please and appease Mr. Trump.

Tesla rejected this interpretation in a message to the news agency Reuters:

"The main reason why we now confirm that we cancelled the order is to counter those utopian claims that we were acting in response to political pressure. The

fact is the order was cancelled because technical standards weren't complied with." (Reuters, 2017a)

The use of the words "utopian claims" seems to rather confirm the assumptions made by German press. When SHW's fate was described as something comparable to an animal sacrifice on an ancient altar fire offered to a goddess, this was not communicated as a claim but clearly marked as a conjecture, which, in the light of the timing and the personalities involved, was definitively not "utopian".

So, there are two explanations for the cancellation of the project: The small Suabian SHW left Tesla unhappy with its technical and schedule performance and with their shareholder communications, which Tesla later decried as "plot spoilers" (Reuters, 2017b). Or, as an alternative explanation, SHW was ousted from the project to make Tesla look more favorable in the eyes of a politician. The two explanations are not mutually exclusive.

The example shows that project managers cannot fully exclude the environmental factors from their decision making. If a project will have to run along a roller-coaster track, the project manager has to make sure that it will withstand the g-forces applying on it, and also that the persons sitting inside the project remain safe. But the project manager is not the person to build the roller-coaster tracks.

I am telling my students in class that the first quality of a project manager must be realism, a position between the two extremes of *panic* and *easiness*. We do not panic, but we do also not believe that the world will make our job simple and easy. In the case story with Tesla and SHW, Tesla is now able to use know-how that they gained during the 3 ½ months of cooperation with SHW to make the pumps by themselves. SHW has invested heavily in the business with Tesla, and this investment is now lost. I doubt that SHW managers, and also project managers, have brought themselves in a strong position to stop this or to capitalize on the use of their know-how, but we will know this in some years. The project managers at SHW were right to not panic when the customer Tesla stood at their door, but not considering the risks that come with this company and expecting the relation to be easy was definitively an expensive mistake.

So, both David and Max are right. Max in pointing on the limitations of the assignment that a project manager has got (and that in practice are mostly blurred, not sharply delimited) and David in his call to also look beyond these borders.

Kind regards

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Footnotes

1. More on Freebie projects in Lehmann (2016, p. 39)
2. Please see Shenhar & Dvir (2007, p. 47) on the pace dimension of project risk

## References

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