Chapter 17: Project Termination

All projects end, either as a casualty because of excessive cost and/or schedule overruns, or failure to accomplish their performance expectations. Also, a project may be terminated if its expected results no longer have a “strategic fit” in the purposes of the enterprise. In addition, a project that completes its life cycle and transfers its product(s) to the operations of the sponsoring enterprise results in a form of termination that project team members hope to have. Whatever the form of “termination” such termination should come out of a project monitoring, evaluation, and control process.

Reasons for Project Termination

Project termination comes about for several reasons:

- The project results have been delivered to the customer. If appropriate, service and maintenance contracts can be negotiated and consummated.
- The project has overrun its cost and schedule objectives and/or is failing to make satisfactory progress toward attaining its technical performance objectives.
- The project owner’s strategy has changed such that the project no longer has a strategic fit in the owner organization’s future.
- The project’s champion has been lost, thereby putting the continued application of resources on the project in doubt.
- Environmental changes have emerged which adversely influence the project’s future.
- Advances in the state of the art, hoped for in the project (such as in research and development), have not been realized, and therefore further funding is not forthcoming.
- The project’s priority is not high enough to survive in competition with higher-priority projects.

Projects usually are terminated for two basic reasons: project success or project failure. Senior managers, who “own” the project and who see the project as a building block in the design and execution of organizational strategy, must create a cultural ambience that encourages projects to be successful, but also allows a project to fail if it has lost its strategic fit in the organization’s plans for the future. Considerations in the termination of a project are dealt with in this chapter.
Project success means that the project has met its cost, schedule, and technical performance objectives and has been integrated into the customer’s organization to contribute to the customer’s mission. A successful project means that the organization has been successful in positioning itself for the future; a specific strategy has been designed and implemented.

Project failure means that the project has failed to meet its cost, schedule, and technical performance objectives, or it does not fit in the organization’s future. Failure is thus a relative factor.

**Types of Project Termination**

Spirer addresses project termination as consisting of two broad types: first, a natural termination when the project goals have been met and, second, an unnatural termination when some project constraints have been violated, performance is inadequate, or the project goals are no longer relevant to some overall need. Emotional issues with a project termination include:

- Fear of no future work
- Loss of interest in task remaining
- Loss of project-driven motivation
- Loss of team identity
- Selection of personnel to be reassigned
- Reassignment methodology
- Division of interest

The natural termination of a project is concerned with:

- Identification of remaining deliverable end products
- Certification needs
- Identification of outstanding commitments
- Control of charges to the project
- Screening of uncompleted tasks not needed
• Closure of work orders and work packages
• Identification of physical facilities assigned to the project
• Identification of project personnel
• Accumulation and structuring of project historical data
• Disposing of project material
• Agreement with client on remaining deliverable end products
• Obtaining needed certifications
• Agreement with suppliers on outstanding commitments
• Communicating closures
• Closing down physical facilities
• Determining external requirements for audit trail data

A work breakdown structure for the problems of project termination, as shown in Figure 17.1, should be considered. It may help address such items as:
• Identification of remaining deliverable end products
• Certification needs
• Identification of outstanding commitments
• Control of charges to the project
• Screening of uncompleted tasks not needed
• Closure of work orders and work packages
• Identification of physical facilities assigned to the project
• Identification of project personnel
• Accumulation and structuring of project historical data
• Disposing of project material
• Agreement with client on remaining deliverable end products
• Obtaining needed certifications
• Agreement with suppliers on outstanding commitments
• Communicating closures
• Closing down physical facilities
• Determining external requirements for audit trail data

Figure 17.1 shows some of the problems associated with project termination within emotional and intellectual categories.

![Diagram showing project termination problems分类为情感与智力两大类。图例中包括工作人员和客户面对的不同问题。]

Strategic Implications of Project Termination

- Does the project continue to fit in the strategic plans of the organization?
- Does the project continue to complement a strength of the organization?
- Correspondingly, does the project avoid a dependence on a weakness of the organization?
- Are the project results likely to be consistent with the strategy of the sponsoring organization?
- Will the project continue to help that organization achieve its objectives?
- Will the completion of the project help that organization accomplish its goals?
- If the project results are put into an operating mode, will these results provide a competitive advantage to the sponsoring organization?
- Is the project consistent with other projects and programs that are related to the strategic mission, objectives, and goals of the sponsoring organization?
- Can the project owner continue to assume the financial and other risks associated with the project?
- Does the project continue to represent a specific step along the way to the accomplishment of the project owner’s objectives and mission?
- Does the project continue to be directly related to established strategies?
- Does the project team believe that the project continues to have a strategic fit in the design and execution of organizational strategies? If not, why not?

When the project is overrunning its costs and schedule, then termination should be considered. When termination is being considered, the project should be evaluated from its strategic context: Does the project continue to have a strategic fit in the design and execution of organizational strategies? By asking and seeking complete and candid answers to questions, insight into the project’s strategic context can be gained.

The crucial element of the evaluation of a project during its life cycle is whether the project should be permitted to continue maturing in its life cycle, or whether it should be terminated in an orderly fashion. All too often a regularly scheduled project review considers only the status of the project as if that project were standing alone. A project should be reviewed on a regular basis to determine its status on time, cost, and technical performance factors, as well as how that project stands in regard to the organizational strategies that it supports.

A bottom-line question is to ask how well that project can be integrated with the mission, objectives, and strategies of the organization, as well as how it fits into the market strengths, weaknesses, comparative advantage, internal consistency, and key policies of the organization.
Termination Strategies

If a project is to be terminated, some senior managers will replace the project manager with an individual who is skilled at closing out projects.

- Ensure that all project deliverable end products have been provided to the project owner and that all project functional work is finished, along with any closeout of records.
- Review the status of all contracts to ensure that requirements have been met or provisions made if such requirements have not been duly satisfied.
- Work with the project team in developing and distributing a closeout plan that provides guidance for an orderly termination of all elements of the project.
- Maintain an ongoing surveillance of the closeout activities, including the closeout of all records and the disposition of materials.
- Notify relevant stakeholders of the termination.
- Ensure that all financial matters on the project have been satisfactorily terminated.
- Assist members of the project team to find other work in the organization.
- Prepare the project history, particularly a “lessons learned” report, so that future teams in the organization can benefit from the experiences of the project.
- Conduct a postcompletion audit of the project to identify strengths and weaknesses in the management of the project, what impact mistakes have had, how such mistakes can be avoided in future projects, and how that organization was affected, positively or negatively, by the project.

Termination is always an option on every project. A strategy for management to use in dealing adequately with the ever-present termination issue should include these steps:

- Review the project and its strategic context on a regular, disciplined basis.
- Recognize the psychological and social forces that motivate one to “stay the course.”
- Recognize that there is a prevailing belief and cultural force that encourages the commitment of more resources to solve current difficulties and ensure that success is “just around the corner.”
- Define, with senior management participation, what constitutes both success and failure on the project. This definition is needed at the start of the project and should be reinforced at major review points during the project life cycle.
- Listen carefully to the concerns of others about the project. What are the project stakeholders saying? Are they saying that project termination is a good strategy?
• Evaluate the real ability of the project team to listen to and hear bad news. Does such news carry important information about the project’s health, continuation, or termination?

• Ask whether the managers “bet too much of the farm” on the project where a termination would “break the bank,” resulting in a perception of both organizational and personal failures.

• Determine if the project manager feels that a lot of people will have their futures adversely affected if the project is terminated.

• Step back and evaluate the project from an outsider’s perspective. Use of an internal task force or audit team can help in getting such an outsider’s viewpoint.

• Encourage project team members always to provide accurate information, even if that information contains messages that are not palatable and might suggest that project termination is an alternative worthy of full consideration.

• Consider replacing key members of the project team with new people who can bring a perspective less influenced by the project and past events. Consider replacement of the project manager.

• Build an organizational culture, which supports the philosophy that projects are experimental, temporary uses of resources to support organizational strategies, which require constant surveillance to guard against a project becoming an institution in the organization.

**Termination Procedures**

It is beyond the scope of this book to provide detailed termination procedures. Comprehensive checklists may be used as aids in planning and controlling the work necessary to terminate a project. Benefits of using such checklists to do the following:

• Clearly indicate the closeout functions and responsibilities, reducing ambiguity and uncertainty.

• Reduce overlooking of important factors.

• Permit closeout progress to be monitored.
• Aid project team members with little or no experience in closing out a project.

• Inform project team members about the activities of others during the closeout phase.

Kerzner and Thamhain suggest a sample listing of typical activities in six areas to consider in managing the affairs of project closeout and transfer:

• Documentation

• Contract administration

• Financial management

• Program management

• Marketing

• Final management review

When projects are terminated, frequently, certain post-termination activities are necessary to the project. Continuing service, maintenance, and logistic support may be an opportunity for future work. In some industries the follow-up service and maintenance contract work can be more profitable than the work of completing the project itself.

Audits can be a post-completion activity. It is essential that the project managers ensure that adequate records are retained to support any post-audit activity that is initiated.

**Summary, Additional Sources of Information, Discussion Questions, User Checklist, Principles of Project Management and, Project Management Situation**

To Summarize

The major points that were communicated in this chapter include:

• Some projects succeed, and some projects are destined for failure. It is important to know the difference.

• Project success and failure are relative factors. Some criteria were given to use in determining when a project is likely to be in a failure mode.
• An enterprise should develop specific criteria to use in considering the question of whether or not an ongoing project should be reviewed to determine if it is likely to “fail.”

• Examples from the Chrysler Corporation and the Boeing Company were cited to show the rationale used in these organizations for terminating their projects.

• Project termination consists of two broad types: (1) a natural termination when the project’s objectives have been met and (2) an unnatural termination when some project constraints have been violated.

• When a project is terminated before it has reached the end of its life cycle, emotional issues will be involved. A sample of these emotional issues was cited in the chapter.

• A work breakdown structure for the challenges of project termination was presented in the chapter.

• A series of questions were presented in the chapter to help in gaining insight into the project’s likely strategic fit in the enterprise’s purposes.

• In any decision to terminate a project, consideration should be given to the alternatives that should be considered to replace the planned technical performance of the project.

• Subtle factors are at play which can cause a project that should be terminated to continue.

• The project manager and the project team are unlikely and unsuitable candidates to make the decision of whether or not to terminate a project. The decision to terminate rests with the manager(s) who sponsored the project.

• Projects are supposed to succeed, not fail, yet termination of a project would make sense if such a project does not promise to contribute to the operational competence or strategic effectiveness of the enterprise.

• In the chapter, a series of questions were presented that can help gather information to use in a decision of whether or not to terminate.

• Sometimes it makes sense to replace the existing project manager with a “termination” project manager. A series of actions and steps that such a project manager should take were suggested in the chapter.
• A post termination project audit should be conducted to develop a profile of “lessons learned” concerning the effectiveness of the management of the project and what might have been done differently in the management of the project that could have ensured the survival in the strategies of the enterprise.

• If a project is likely to be a candidate for termination, it is best to find this out as early as possible during the life cycle of the project.

• It is no fun to terminate a project but if the operational and strategic purposes of an enterprise are not being served by the project, then dispose of it quickly and effectively.

Additional Sources of Information

The following additional sources of project management information may be used to complement this chapter’s topic material. This material complements and expands on various concepts, practices, and the theory of project management as it relates to areas covered here.

• J. Rodney Turner, *The Handbook of Project-Based Management* (London: McGraw-Hill, 1999). This book provides a touch of realism. It is about new approaches to the practice of general management based on projects. The book is about managing change through the use of projects. The book maintains a single point contact—the emphasis is on the project manager. The book is intended for anyone engaged in the management of change and the management of supporting projects to facilitate the change. The reader should pay attention to Chap. 15, “Finalization and Closeout,” for guidance on the management of the termination of a project.

• Joan Knutson, *Project Management for Business Professionals* (Hoboken, NJ: Wiley, 2001). This book focuses on both the technical and human sides of project management. The experts who contributed to this book address the procedures and processes for managing projects. Included in this examination is an exploration of relations and the political and organizational considerations that can impact a project. The people who have contributed to this book include the foremost practitioners and researchers from academia, consulting, and industry.

• Terry Cooke-Davies, “Project Closeout Management: More than Simply Saying Good-bye and Moving On,” in Joan Knutson (ed.), *Project Management for Business Professionals*
In this chapter, the author presents the activities that project managers generally advocate and that should be a part of the project closeout management. He builds a strong case as to why closeout management is vitally important to project stakeholders. In addition, the author reminds the reader of the factors that prevent organizations from managing effective project closeout strategies. The paper ends with a citation of the steps that organizations can take to improve closeout management.

- Carl L. Pritchard, “Project Termination: The Good, the Bad, the Ugly,” in David I. Cleland (ed.), Field Guide to Project Management, 2nd ed. (Hoboken, NJ: John Wiley & Sons, 2004). The author suggests that project-termination models fall into three very general categories: positive, negative, and premature. He further notes that although termination has some standard practices, each type of termination requires specific attention. A valuable figure is provided at the end of the material, which portrays a “closeout methodology.”

- Harry M. Staw and Jerry Ross, “Knowing When to Pull the Plug,” Harvard Business Review, March–April 1987. Portions of this article have been paraphrased in the chapter. However, the article is of sufficient importance in considering the forces involved in continuing a project, even to the point of irrationality, that a reading of the entire article is worthwhile.

Discussion Questions

The questions below provide some answers, but not necessarily all possible solutions or the “right” answers for all projects. Instructors and students may have some personal experiences that add to the list of answers.

1. Discuss various situations in which projects may fail that indicate the need for project termination. How can managers recognize these situations?

   a. Project success means that the project has met its cost, schedule, and technical performance objectives and has been integrated into the customer’s organization to contribute to the customer’s mission. Project failure means that the project has failed to meet its cost, schedule, and technical performance objectives, or it does not fit in the organization’s future.
b. Managers can recognize these situations by monitoring the cost, schedule, and technical performance objectives, as well as the projects fit in the organization’s future.

2. List and discuss quantitative and qualitative factors that should be assessed when you consider project termination.
   a. Cost overruns
   b. Schedule progress
   c. Technical performance progress
   d. Fit to the organization’s future (change to either project structure or organizational needs)

3. What are some of the emotional issues involved in project termination?
   a. Emotional issues with a project termination include:
      • Fear of no future work
      • Loss of interest in tasks remaining
      • Loss of project-driven motivation
      • Loss of team identity
      • Selection of personnel to be reassigned
      • Reassignment methodology
      • Division of interest

4. Describe some of the project manager’s tasks with respect to project termination.
   a. Issues with a project termination include:
      • Identification of remaining deliverable end products
      • Certification needs
      • Identification of outstanding commitments
• Control of charges to the project
• Screening of uncompleted tasks not needed for project termination
• Closure of work orders and work packages
• Identification of physical facilities assigned to the project
• Identification of project personnel
• Accumulation and structuring of project historical data
• Disposing of project material
• Agreement with client on remaining deliverable end products
• Obtaining needed certifications
• Agreement with suppliers on outstanding commitments
• Communicating closures
• Closing down physical facilities
• Determining external requirements for audit trail data

5. The strategic fit is an important aspect of major projects. What questions can managers ask in order to evaluate strategic fit?

   a. Insight into the project’s strategic context can be gained by:

      • Does the project continue to fit into the strategic plans of the organization?
      • Does the project continue to complement strength of the organization?
      • Does the project avoid a dependence on a weakness of the organization?
      • Are the project results likely to be consistent with the strategy of the sponsoring organization?
      • Will the project continue to help the organization achieve its objectives and mission?
• Will the completion of the project contribute to the organization’s attainment of its “choice elements?”

• If the project results are put into an operating mode, will these results provide a competitive advantage to the sponsoring organization?

• Is the project consistent with other projects and programs that are related to the strategic mission, objectives, and goals of the sponsoring organization?

• Can the project owner continue to assume financial and other risks associated with the project?

• Does the project continue to represent a specific step along the way to the accomplishment of the project owner’s objectives and mission?

• Does the project continue to be directly related to established strategies?

• Does the project team believe that the project continues to have a strategic fit in the design and execution of organizational strategies? If not, why not?

6. Why are some projects continued even when failure is obvious? What role do psychological factors play?

   a. The project itself, managers’ motivations, social pressures, and organizational pushes and pulls.

   b. A project’s termination costs.

   c. Social pressures include the managers’ unwillingness to expose their shortcomings and mistakes to others.

   d. Projects are supposed to succeed—not fail.

7. What steps can managers take in order to comprehensively reevaluate an ongoing project so as to address the termination question?

   a. Termination is an option to be considered when one or more of the following conditions exist:

      • There are serious cost and schedule overruns.
• Technical performance is compromised, or technical risks are too great.
• The project does not have a strategic fit in the sponsoring organization’s future.
• The customer’s requirement has changed.
• Competition has made or threatens to make the project results obsolete.
• The purposes for which the project was originally established have changed.

8. Discuss some of the termination strategies described in the chapter.
   a. Replace the project manager with an individual who is skilled at closing out projects. Such a termination of the project manager would be wise to conduct an immediate review of the status of the work packages, along with the funding, schedule, and technical performance parameters. Several other things must also be done:
      • Ensure that all project deliverable end products have been provided to the project owner and that all project functional work is finished, along with any closeout of records.
      • Review the status of all contracts to ensure that requirements have been met or provisions made if such requirements have not been duly satisfied.
      • Work with the project team in developing and distributing a closeout plan that provides guidance for an orderly termination of all elements of the project.
      • Maintain an ongoing surveillance of the closeout activities, including the closeout of all records and the disposition of materials.
      • Notify relevant stakeholders of the termination.
      • Ensure that all financial matters on the project have been satisfactorily terminated.
      • Assist members of the project team to find other work in the organization.
• Prepare the project history, particularly a “lessons learned” report, so that future teams in the organization can benefit from the experiences on the project.

• Conduct a post-completion audit of the project to identify strengths and weaknesses in the management of the project, to identify what impact mistakes have had, to identify how such mistakes can be avoided in future projects, and to identify how that organization was positively or negatively affected by the project.

9. Discuss the importance of an outsider’s perspective on ongoing projects.
   a. Develop new perceptions on the project.
   b. Develop an unbiased perspective on the project.
   c. Eliminate some of the pressure on the project team.

10. What are some of the steps involved in the termination procedure?
   a. Checklists to do the following:
      • Clearly indicate the closeout functions and responsibilities, reducing ambiguity and uncertainty.
      • Reduce chance of overlooking important factors.
      • Permit closeout progress to be monitored.
      • Aid project team members with little or no experience in closing out a project.
      • Inform project team members about the activities of others during the closeout phase.
   b. A sample listing of typical activities in six areas:
      • Documentation
      • Contract administration
      • Financial management
• Program management
• Marketing
• Final management review

11. What post-termination activities are important? Why is generation of “lessons learned” important?
   a. Continuing service, maintenance, and logistic support may be necessary.
   b. It is essential that project managers ensure that adequate records are retained to support any post-audit activity that is initiated.
   c. Did the project accomplish or did not accomplish what it planned to do.
   d. The development of a report of “lessons learned” will help other projects progress smoothly.

12. Customer acceptance is an important part of project termination. What can management do to ensure that the customer is satisfied with project results?
   a. Assure the customer that termination procedures will be executed to minimize cost and further consumption of resources.
   b. Assure the customer that project components that can be used elsewhere will be saved.
   c. Obtain customer approval of the termination plan.
   d. Involve the customer to the extent possible.

User Checklist

This checklist may be used to generate discussion among the students/participants or used as a guide to assigning specific work to either individuals or small teams. If any students work in a company that uses project management, then they should use the checklist to evaluate their company’s approach to project management. The results of this evaluation would be discussed in class—in the context of diplomatic immunity, of course.
1. Does the cultural ambience of your organization encourage project success and also allow for failure? Describe some examples to explain your answer.

2. Are any of the ongoing projects within your organization in a situation that indicates project termination? Are these projects being terminated? Why or why not?

3. Do the managers of your organization usually recognize the need for project termination? Who has responsibility for eliminating those projects that have no further value for the organization?

4. What qualitative and quantitative factors do the project managers of your organization assess in order to make a termination decision?

5. How are the emotional issues of project termination addressed in your organization? Are project team members usually satisfied with termination decisions? Why or why not?

6. What tasks do project managers in your organization perform during project termination?

7. Do the project leaders periodically assess the strategic fit of projects? What questions are posed?

8. Do projects in your organization, which seem destined to fail, often continue beyond where they should have been terminated? Explain.

9. Do the necessary information and control systems exist to enable project managers to make a termination decision? Explain.

10. What termination strategies do project managers in your organization use? How?

11. Do termination procedures exist for projects in your organization? What steps are involved?

12. Do project managers compile a list of lessons learned after the completion of a project? What other post-termination activities are done?

**Principles of Project Management**

These principles may be used to challenge students/participants to find other principles within the chapter or as an individual or team assignment to examine a principle within the context of their organizational culture.
• The expected project results should support the “choice elements” of the enterprise from the start of the project.

• The criteria of project “success” and project “failure”, should be established by the enterprise from the start of the project.

• Each project in the “project portfolio” of the enterprise should be periodically evaluated to determine whether to continue or terminate the project.

• There are organizational, political, and social issues likely to support the continuation of a project in an enterprise.

• The termination cycle of a project can be treated as a project unto itself.

• A post-project appraisal is an effective means of developing a “lessons learned” profile on a project.

Project Management Situation: Shutting Down a Project

Have the class as a unit answer the questions. Have them act as an outside audit firm. Record the answers on the board or flip chart and discuss. First, evaluate the closeout and then brainstorm any additional major closeout issues.

After the above process if any students have experienced a project termination, have them comment on the exercise.

The student/reader is asked to evaluate the project closeout strategies as suggested in the foregoing material. What additional major closeout issues might be involved? Use the following checklists as an aid:

• Clearly indicate the closeout functions and responsibilities, reducing ambiguity and uncertainty.

• Reduce overlooking of important factors.

• Permit closeout progress to be monitored.

• Aid project team members with little or no experience in closing out a project.

• Inform project team members about the activities of others during the closeout phase.
Use the following six areas in developing additional major closeout issues:

- Documentation
- Contract administration
- Financial management
- Program management
- Marketing
- Final management review