

Understanding the Concept of Project Termination in the Management of Projects

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Abstract: *Project termination is such a complex and difficult process faced by project managers and team especially when the project is failing. In essence, they must be prepared enough to handle such as when the need arises. Even though, the decision to terminate a project must come from senior management, the project manager and team has a responsibility to reduce the impact of that decision on project staff. This impact can be mitigated by clearly explaining to project personnel for them to understand the rationale for terminating the project. Once, staff are fully aware of such decision; they will be able to put themselves together for future challenges rather than surprising them. This paper looks into the most common types of project termination, reasons for the decision to terminate projects, strategies employed to choose the most appropriate termination method and the impacts of project termination on project personnel. However, the decision to terminate a project should be preceded by accurate and reliable information that will enhance project stakeholders in making the correct decision in the interest of the organization.*

Keywords: Termination Manager; Parent Organization; Extinction; Integration; Addition; Starvation

1. Introduction

Every project must come to an end someday. Although, some projects are terminated before reaching the final phases of the project life cycle due to reasons determined by senior managers of the parent organization. Ideally, projects are expected to be terminated when it has successfully achieved its prime objectives. There are several termination methods prescribed by (Meredith & Mantel (Jr.), 2009) in terminating a project. Each of these methods are carefully chosen to suit the particular project in question. Some of the methods used in terminating projects are thus; extinction, addition, integration and starvation. It is worth noting that termination is not an easy decision to make especially when the project is yet to complete. Nevertheless, it is inevitable and necessary steps must be taken to minimize its negative impact on project personnel. Projects that are abruptly terminated are mostly due to failure or non-technical reasons such as political or otherwise. Some of the reasons for project failure as put forward by (Meredith & Mantel (Jr.), 2009) are:

- a) Inadequate support from senior management. Strategic decisions about the organization are made at this level so, lack of commitment or interest from this group will definitely have far reaching consequences on the success of the project. Every project requires resources for its survival and that decision to provide the project with ample resources must come from the senior management cadre.
- b) Little or no proper project planning. Rushing to accomplish project objectives without careful considerations can lead to project failure and eventual termination of the project. Planning brings that extra serenity and logical flow in the project environment thus, enabling the project manager and team to accomplish more within given time, cost and scope.
- c) Having the wrong person as the project manager. Being a project manager does not only require technical ability but also administrative one; which most people tend to ignore in the selection of a project manager. The project

manager must be able to manage project personnel aside the management of the project itself.

For some organization, the project manager is allowed to continue with the termination process thus, becoming the termination manager. Project termination is exclusively administrative therefore, requiring the hiring of a termination manager independent of the project manager. In such cases however, the termination manager is expected work together with the project manager to ensure that the termination process is smoothly done. At the end of the process, a project final report should be submitted and archived for referencing purposes when implementing future projects.

1.1 Termination and its types in project management

Project termination is an inevitable phase of the project life cycle; meaning, every project must go through this phase before completion. However, (Meredith & Mantel (Jr.), 2009) put forward four primarily different ways by which project can be terminated and these are: extinction, addition, integration and starvation. On the other hand, (Sohmen, 2002) added a fifth category of project termination, which is suspension. Hence, termination of a project refers to a significant slowdown or cessation of all project activities to an extent where the project is considered over. However, the different ways by which such can occur are thus:

- a) Termination by extinction: This is where the project is terminated either because it is successful or unsuccessful without extending it in some form, such as by addition or integration. A successful project is one that has achieved its goal for which it was initiated; although, there are other parameters used to establish project success. For instance, a project initiated to develop software, can be considered successful and ready for termination when such system is developed, tested and accepted by the clients. In cases, where the software failed to meet client's acceptance, then it becomes a challenge for such to be considered successful. No matter how well the

project team works in a project to develop a drug, if the drug fails the efficacy test; then its success becomes questionable.

To terminate a project is a decision that must come from senior management of the organization and that decision is evident when there is a complete halt or cessation on all project activities. Another frequently used term is "termination by murder"¹, which is considered part of termination by extinction. Once, such decision has been made to terminate the project; it becomes imperative for the termination manager and project manager to begin the termination process. This process includes the following:

- Releasing project team members
 - Distribution of project properties such as equipments, materials, facilities in accordance with the procedures of the parent organization
 - Preparation of the project final report
- b) Termination by addition: This type of termination is different from extinction in that; with termination by addition, the properties of the project are often relocated to the current or newly created entity of the organization. Here, the project is brought into the organization as a separate, on-going entity. This is usually done in cases where the project is a major success; hence, institutionalizing it as part of the parent organization. For instance, the introduction of new course by the university until such is developed into a department. It differs from extinction in the following ways:
- Transfer of project personnel, property and equipment from the project to a newly created division within the parent organization
 - Budgetary considerations to support the administrative functions of the new division created by the termination process
 - Boost the parent organization in achieving its goals and objectives through project
- Nonetheless, in both termination processes, the project ceases to be. Termination by addition is difficult, especially in cases where project personnel are more interested in the implementation of project than being attached to a division of the parent organization. The project manager must be carefully in ensuring a smooth shift from the project to the new division.
- c) Termination by integration: It is regarded by many as the most precise method of terminating successful projects, though it is complex. The outputs of the project become an integral component of the operating system of the parent organization. It is fused into the daily operations of the organization. This involves thorough synchronization of the project outputs at every levels of the organization. Such integration encompasses every sphere of the organization including; personnel, finance and accounting, manufacturing, engineering, marketing, information systems, risk management.
- d) Termination by starvation: Some pundits believed that this is not a termination but nevertheless, it is a way in which projects are terminated by budget decrement. In some organizations, senior management finds it difficult

to accept when project is failing (not delivering its intended deliverables). As such, they might want to significantly reduce the budget of the project to cripple project activities, hence preventing further progress on the project. Even though in principle the project is existing but yet terminated and allowed to survive for legal reasons. The project is effectively dead, and merely on minimal life support for legal reasons. This situation normally occurs in cases where senior management is afraid to declare the project unsuccessful for political or other reasons.

- e) Termination by suspension: This is where you put a hold to the project for some period of time before resuming project activities. For instance, shelving a project for the availability of the necessary components needed for the project to continue. Once, these components are available, the project can proceed. In cases where they are not available, the project can be terminated.

In essence, no matter the manner in which the project is terminated, termination should be carefully done in order to prevent damage and significant losses to the parent organization or client, the project and project personnel.

1.2 Essential reasons that lead to project termination

(Hormozi, McMinn, & Nzeogwu, 2000) clearly stated that how and when a project is terminated may have far reaching consequences on the organization and its employees. The decision to terminate a project can be difficult to make; however, it requires in-depth analysis of the project to reach such conclusion. (Meredith & Mantel (Jr.), 2009) identified four essential reasons that leads to project failure hence, termination of the project:

- a) Choosing the correct form of project organization, is a step in the right direction in managing the project and that is central to project success. Senior management should take cognizance of the fact that the administrative function of a project is equally important as the technical aspect. Therefore, care should be taken when making such decision as to which project organizational form should be adopted. The following should be considered in making such decision:

- Objectives of the parent organization implementing the project
- The nature and size of the project including its scope
- Availability of project resources including the human resource capacity
- Duration of the project with respect to its budget constraints

Some of the most common project organizational forms are thus: functionalized, projectized, matrix and mixed forms. Depending on the type of project, senior management can choose the most suitable project form from the highlighted. Having the correct project form can go a long way in stabilizing the project throughout its life. On the contrary, making the wrong decision as to which project form should be used, can prove detrimental to the project and thus, leading to project failure and eventual termination.

- b) Adequate backing from senior management is primary to the sustenance of the project. Critical project decisions including:

¹Sudden termination of the project without warning mostly not related to project purpose

- To progress with the project
- To make resources available for the project
- To select project manager
- To make project modifications during implementation and even to terminate the project are made at this level.

Therefore, without full support from senior management, it becomes problematic for the project manager and team in meeting client's requirements. Decisions will be difficult to make especially the ones that revolve around the success of the project. Having a strong backing from senior management or an individual at this level who is passionate about the project can suffice in pushing the concerns of the project.

- c) The appointment of a project manager is a sensitive and crucial step going forward with the project. Therefore, such individual should be up to the task in order to efficiently manage the project. Having a project manager with great technical ability but weak managerial skills can be harmful to the project and therefore, such mistakes must be avoided. In every project, you must be competent enough to manage resources more especially the human resource aspect. Humans are difficult to manage; so, having a project manager that is challenging in that regard, can cause serious administrative issues that might lead to the failure of the project.
- d) Inadequate/poor planning. There is a popular adage which says "failing to plan means planning to fail". Proper planning serves as the hub of every successful projects; however, lack of planning is a primary cause of project failure. A project that is not properly planned is not expected to go far in achieving its objectives.

1.3 Common factors considered in terminating a project

Terminating a project is not an easy decision to make especially when the project is at an advanced stage. The resources invested into the project by the parent organization mostly contributed to the difficulties associated with making the termination decision. In addition, it is difficult for senior management to accept the fact that the project has failed; as this will compromise their reputation in the eyes of the organization. However, whatever the reason for termination, it should be justified by the organization's policy at the time. (Meredith & Mantel (Jr.), 2009) highlighted some of the most common factors considered in terminating a project as earlier stated by (Dean, 1968):

- a) Termination due to technical reasons: This includes the following:
- When the possibility of attaining the technical objectives of the project are no longer feasible, then it becomes apparent for such project to be terminated
 - When the project encounters technical problems that are extremely difficult to resolve or are unresolvable
 - When the parent organization because of the technical and administrative demands of the project decided to prioritize other projects that will be of high commercial interest. In essence, this project is no longer of high priority to the organization and thus, suitable for termination
- b) Economic and marketing reasons
- When the NPV² and IRR³ of the project is low

- When the project is costly to develop as individual product
- When the project lost its economic value for which it was initiated
- Extremely low marketing potential
- Change in customer preferences in the market, especially changes that are directly affecting the output of the project
- When the product developed by the project can no longer compete with competitor's product
- When the project duration is too long for the actualization of its product
- When it is negatively affecting other important project undertaken by the organization

1.4 Factors to consider in selecting the most appropriate termination method

There are several methods available to terminate projects. Choosing the appropriate termination method is based on several factors, which are:

- The very reason why the project was initiated. Some projects are initiated for its output to be institutionalized as part of the parent organization; in such cases, termination by addition is the most preferred method. However, there are other projects which are terminated because of failure to achieve project objectives; in such scenario, termination by extinction is preferable. Therefore, the reason for which the project was initiated goes a long way in dictating the method that will be used to terminate the project.
- The status of the project at the point of making the termination decision. It is difficult to abruptly terminate projects that are in concluding stages especially in cases where the parent organization has invested so much resources on the project. Even though, projects can be terminated at that stage but it is extremely in rare situations, especially when the project is achieving its technical and commercial objectives. On the other hand, economic and market driven forces can force the parent organization to terminate the project. termination by extinction is preferable in such circumstances.
- When the parent organization decided to extend its operations by setting up additional outlets or departments/units. In such cases, termination by addition is more preferable and such termination is possible for successful projects.
- When the parent organization is implementing projects, whose outputs are meant to be incorporated into the normal operations of the organization. The successful completion of such project can be integrated into the organization. In such case, the most preferred termination method is the termination by integration.
- Projects that have lost their market value or commercial benefits can be easily terminated by starvation. The organization has lost interest in the project and as such is not willing to continue; such project can be starved and allowed to die naturally. Terminating such project by extinction might not be politically or psychologically expedient for the parent organization especially in terms of its reputation. Starving the project might suffice.

² Net present value

³ Internal rate of return

In essence, the decision to choose which termination method should be used to terminate projects is entirely senior management's decision. Such decisions are taken with respect to the prevailing circumstances affecting the project and organizational objectives or interest in the project.

1.5 Impacts of project termination on project team members

A project can be terminated for a number of reasons ranging from inadequate funds to a drastic decline in its market value, which is not in the interest of senior management. Regardless of the reason, all forms of project termination can significantly affect the performance of project staff both negative and positively.

However, it is important for senior management to communicate with the project team about the termination process. Even though, such news is challenging for staff who have been in the project for some time but it helps in preparing them for future challenge. The negative impact of termination on project team members are thus:

- Sudden decline in the interest of staff in the project. This is due to the fact that staff are more interested in finding another job as this one is at the concluding stages. That push for future opportunities is what is responsible for the lackluster behavior of staff towards the project.
- Frequent tensions, strife, backbiting and lobbying among project staff in order to gain favor from the project manager. This arises because every one of them wanted to be retained for other projects that will be managed by the project manager. These vices can have far reaching consequences on the output of the project if not adequately handled.
- Staff demotivation
- The project team is expected to set the stage for the termination manager but in such circumstances, that healthy environment is compromised by the attitude of these staff. Thus, making it difficult for the termination manager to succeed.
- Damage to the reputation of the organization if not properly managed.

However, the following can help lessen the impact of project termination on staff:

- When realistic reasons are proffered for terminating the project.
- Adequate communication between senior management and project team on the termination process can help reduce the pressure on staff.
- Incorporating the project team in the termination planning. Make them a stakeholder in the process.
- Recognizing the work done by the project team on the project. This can go far with lessening the negative impact of terminating a project.
- Serious considerations on how staff are dismissed. Some will be absorbed by the parent organization while others will be laid off. Whether absorbed or not, staff should be adequately remunerated for their tireless contributions on the project.
- Prompt and proper reassignment of project personnel especially those that will be absorbed.

- Effective planning and leadership of the termination process.

1.6 Challenges encountered when project nears termination without proper communication

When project approaches completion, project personnel becomes agitated especially when there is no follow-on project. This situation normally affects every staff in the project including the project manager. Such can even affect the performance of project staff during the concluding stages of the project and if not properly managed, might degenerate to unfavorable project closure outcome. In cases where there is a follow-on project, it becomes easy for the project manager to accept the fact that this project is closing but when there is no follow-on, the closing processes become chaotic. Arising problems when there is no follow-on project for the project manager are thus:

- Significant delay in the termination process in order to prolong project activities. The project manager will be reluctant to fast track the termination process because there is no pending project job. Although, project managers are relocated to the parent organization to continue working in cases of weak project organization, yet they are so much glued to projects to a point where they consider such relocation boring and uninspiring. The love they have for projects surpasses that of being attached to a division of the parent organization. This encourages the "go slow" pattern in the concluding stages of the project and such is not in the interest of the organization.
- Making life difficult for the termination manager to carry on with the termination process. There should be a smooth transition from the project manager and team to the termination manager in order to finalize the termination process successfully.
- Such delays can cause extra strain and financial burden on the project; which can lead to significant reverse in the gains made in the project.
- Loss of enthusiasm from project personnel which can result in lackluster behavior and eventually compromising project standards.
- Project personnel may show complete dis-interest in the project in search of their future.

1.7 Characteristics and duties of a good termination manager

The Termination manager⁴ is the one charged with the responsibility to close out the project. The termination manager's role is administrative but should work together with the project manager and team to ensure that both administrative and technical functions of the project are managed. However, such individual should possess the following characteristics in order to be successful in terminating the project:

- High level of administrative and leadership competence
- Good communicator especially when reporting to senior management

⁴An administrator who wraps up the administrative details of the project

- Good interactive skills especially when dealing with the project manager and team. In cases where the project manager is not the termination manager
- Being autonomous and responsible in making precise and accurate decision
- High intellectual capabilities
- Show high level of political sensitivity
- Someone with high moral and ethical standards
- An inspirational figure with the ability to drive people in the right direction
- A visionary individual with the ability to predict future project outcome

The project manager can continue as the termination manager or another individual brought in to complete the process in accordance with organizational procedures. Such manager focuses on the administrative requirements of the process than dealing with practical tasks of the project. However, some of the duties of the termination manager as put forward by (Meredith & Mantel (Jr.), 2009) are thus:

- To make sure that all project tasks are completed before starting the termination process
- Guarantee the safe delivery and acceptance of the project by the client
- Confirm that project documentation is accurate and complete before preparing the final project report
- Certifying that all bills have been paid and final invoice sent to the client
- Proper redistribution of project personnel, equipments, materials, facilities and other resources in accordance with the contract
- Ensuring that project documents are correctly archived and sent to the parent organization for future references
- Makes provision for effective product support, if there is any
- Supervising the closing of the project books

In addition, the termination manager must ensure that all information gathered throughout the project are stored in proper places. However, he should decide which records to store or disposed of, as the case may be. Information/records worth storing should be sent to the parent organization for proper archiving; particular attention should be given to nondisclosure documents gathered throughout the project. The parent organization should use such documents that have been archived as references for upcoming projects.

2. Conclusion

Project organizations should be careful in the manner in which decisions are taken to terminate projects. Such decisions can cause harmful impact to the organization's reputation and thus, defeating their strategic objectives. The idea of setting up a termination committee is laudable and should be done without prejudice or personal sentiments when selecting members of the committee. Even though difficult, but projects must be terminated at some point during the project life cycle.

Organizations have varied reasons for initiating projects. Some of these reasons are political, market driven, psychological etc. These same reasons are mostly responsible for the difficulty's organizations have in

deciding to terminate a project. Some projects that are still continuing should have been terminated had it not been for political and other reasons. In some cases, the project has failed in achieving its objectives but yet allowed to continue because it is of benefit or value to the organization.

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