

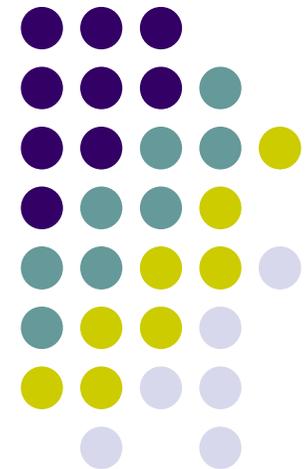
New director in the chair

Project closure: a summary of what we know, some fresh perspectives, and recommendations for practitioners

by

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Abstract

- Successful close-out of a project does not automatically occur when the project deliverables are handed over to the client.
- A substantial amount of organisational work remains to be done by the project manager.



1 Introduction

This paper:

- Describes the process of closure,
- Presents various findings from the research literature,
- Explores a fresh perspective,
- Provides recommendations for practitioners.



2 Definition of the problem

Project managers are at risk of:

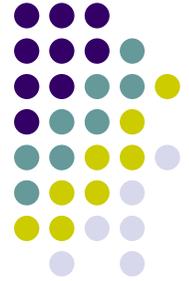
- underestimating what is involved for successful close-out, and
- failing to prepare adequately.

3 PMBOK perspective on closure



Closure included in *project integration management* (section 4):

- *administrative closure*, in which records are collated and archived, and lessons learned.
- *contract closure*, involving verification of the project outcomes and settling the contract.



Mechanisms for closure

Lack of specificity about how a project manager would go about closure.

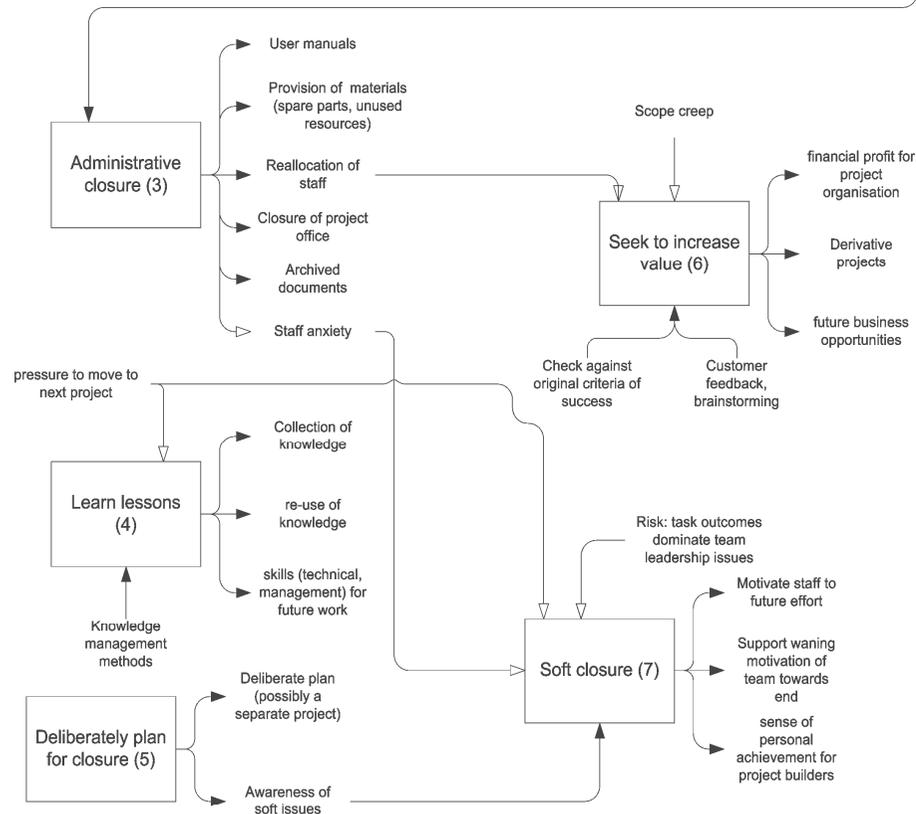
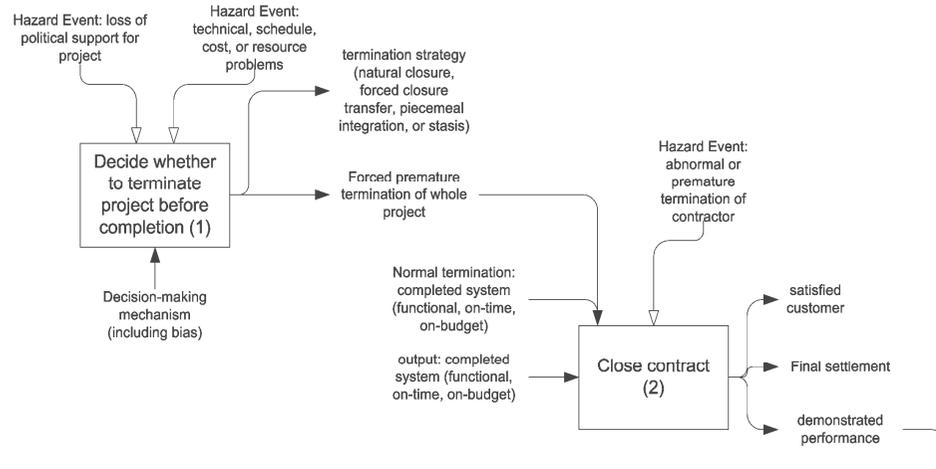
- Several aspects of closure, particularly the human aspects, which are poorly understood.
- *Closure is complex and getting it right can be difficult.*



4 A model for closure

A new model was developed for closure to:

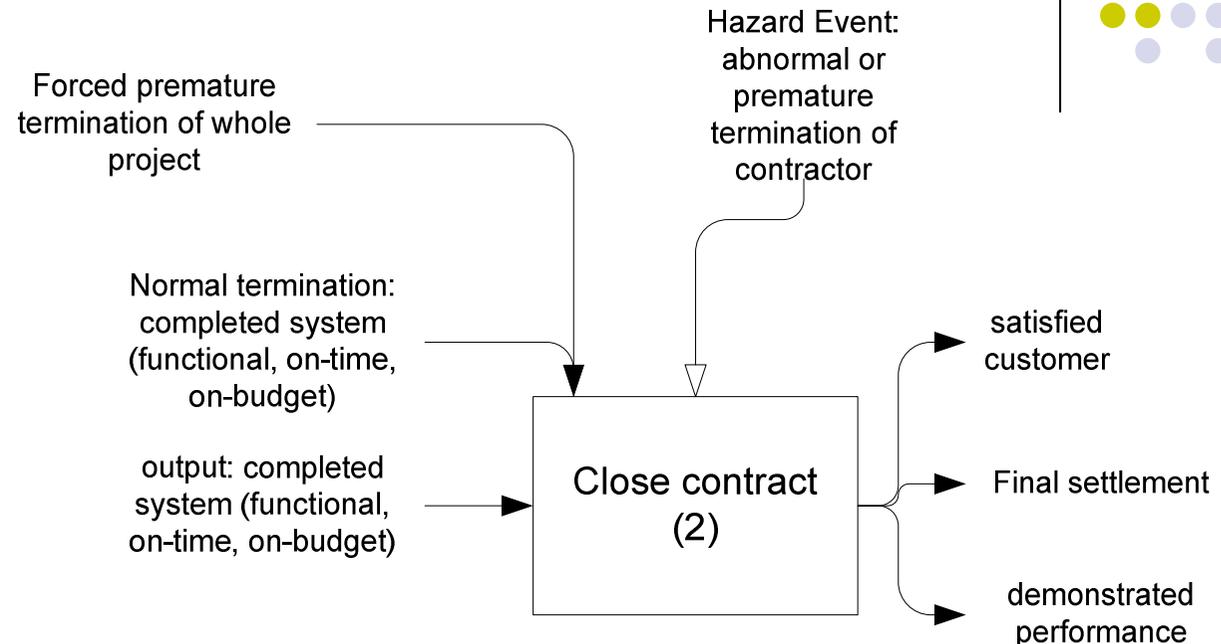
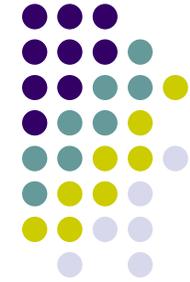
- Better understand the closure process
- Integrate the literature
- Provide guidance to practitioners



Obtain project benefits (Pm-4)

4.2

Close contract (2)



- Termination may be normal, or premature.
- The important tasks are verification of the project outcomes and settling the contract.

Research shows major difficulties are:

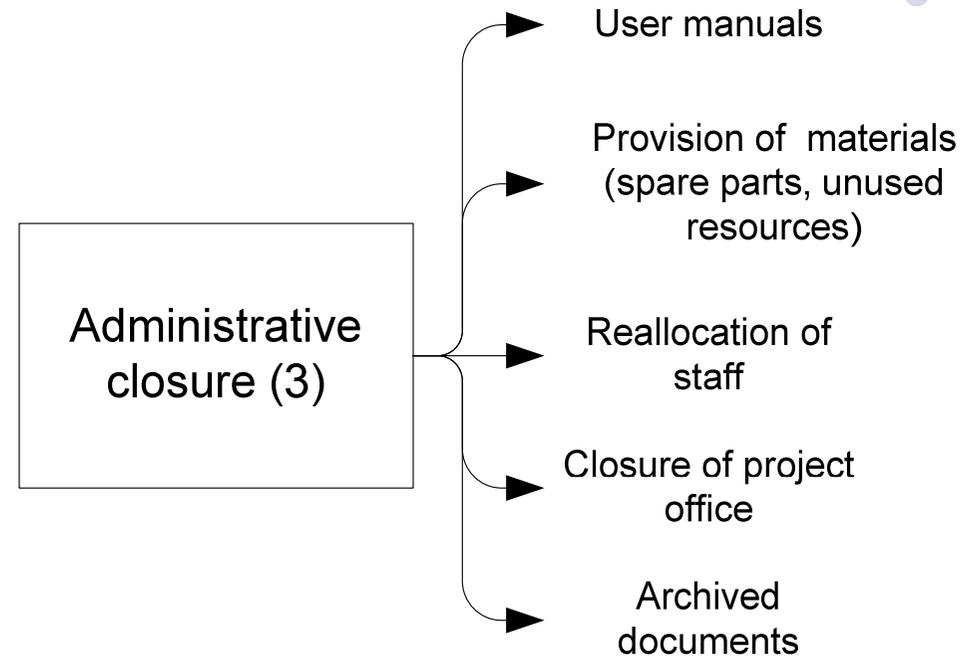
- *negotiating claims and final payment with clients*
- *demonstrating performance, including statutory requirements and performance guarantees*

4.3

Administrative closure (3)



- includes collation and archiving of documents
- freeing up of assets to the client
- closure of the project office

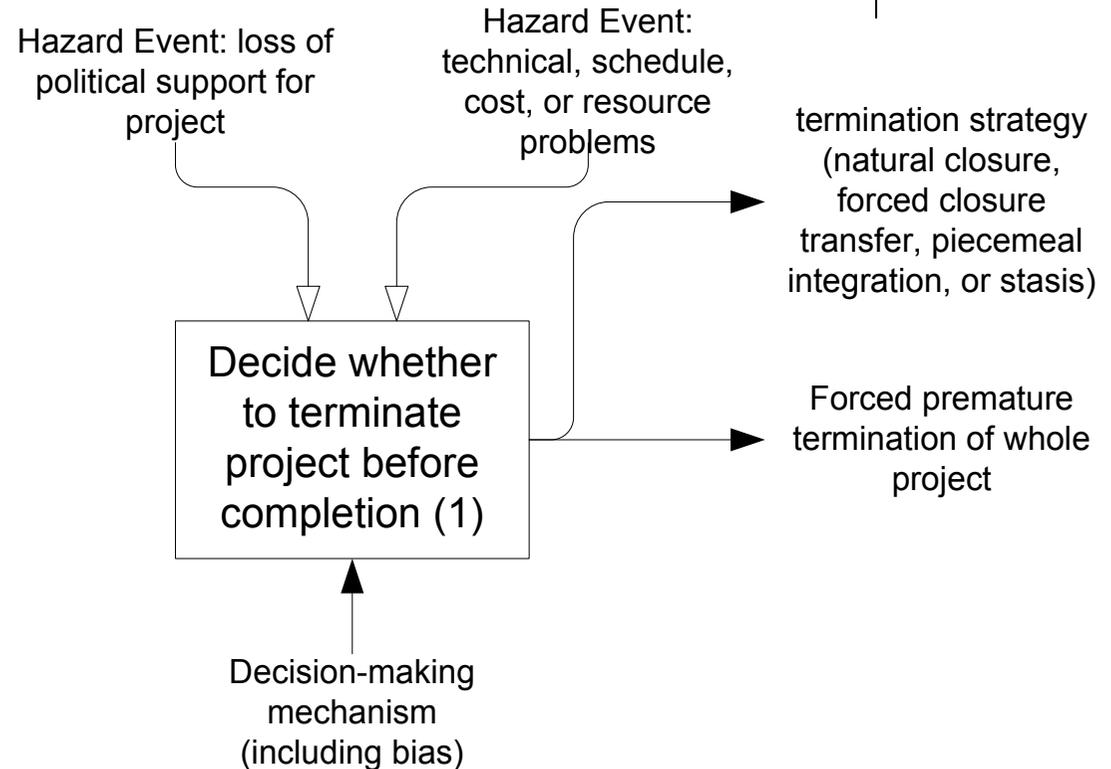


However other important assets are intangible and harder to anticipate

4.1 Decide whether to terminate project before completion (1)



- *Predictors of project success*
- *Initiating hazard events*
- *Who makes the termination decision?*
- *On what information is a termination decision made?*
- *What is the mechanisms for making the decision? (Sunk cost bias)*
- *Perceptions differ by role*
- *Termination strategy*



- *It is not easy to predict beforehand whether a project is likely to succeed or fail, neither at the outset nor part way through*

Predictors of project success



Research has identified various factors as being related to ...

project success:

- technical route: smoothness and probability of success
- project champion

project failure:

- deviations in cost schedule
- chance events

Technical feasibility and economic analysis are not always strong components of decision-making, thus: 'basic research projects are much less likely to be subjected to a formal economic analysis and are generally thought of as being "strategic" investments'



Initiating hazard events

- Lists of purported critical success (failure) factors may be useful as a guide to practical action, but are of unknown reliability and should be used with care.

Research shows that critical factors in project failure are:

- Change in the *political commitment* (e.g. external/internal politics, funding source, champion, regulation).
- Change in the *need* for (or importance of) the project, i.e. a departure from the initial expectations.

Who makes the termination decision?



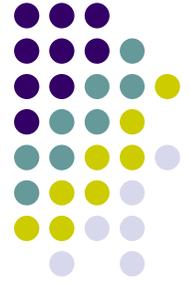
- The Project manager is perhaps not always the best person to make that decision, because most are biased towards overcoming problems by persistence, which is a useful characteristic at other times!
- *Research suggests that people not directly involved with the project often make the decision to terminate the project.*

On what information is a termination decision made?



- Much of the literature states that termination *should* be made on rational economic criteria.
- However economic criteria do not feature in *reality* as much as might be expected.
- The research is not entirely clear on this.
- *It seems that time, especially calendar time, is important.*

What is the mechanisms for making the decision?



Ideally:

- projects would be terminated/continued on the basis of the cost performance up to the date of review

Actually:

- there is a bias at work!

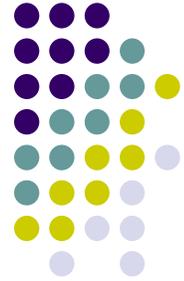
Is 'sunk cost' bias real?



The 'sunk cost' bias suggests that people's decisions about ongoing investment in a project are influenced by how much they have invested in it. The theory says that the more money and time they have invested, the more they are likely to want to persist with the project to completion, i.e. an *escalation of commitment bias*.

However, the research evidence for the sunk cost bias is ambiguous:

- Sometimes observed
- Sometimes not!
- Sometimes the opposite found: *de-escalation of commitment!*

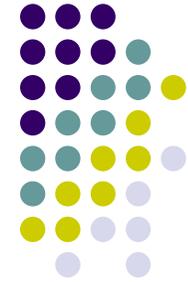


Is there a ‘calendar’ bias?

There is evidence that it can be *time* that really matters:

- decisions are based on how *close* the project is to completion
- *‘the initial goal of economic profit is overtaken by the goal of project completion’* (Paese, 2000, p192).
- people are intrinsically motivated to complete a project, and towards the end the financial profitability may become secondary.

Perceptions differ by role



Research shows that:

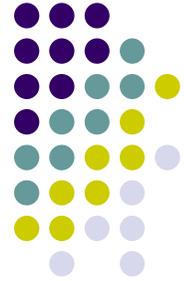
Project managers:

- 'are more likely to terminate a project that is running overtime than are executives'
- Might be overly sensitive to total time spent on a project

Executives:

- 'may be more understanding of schedule slippages than project managers give them credit for'
- Are more sensitive to calendar time (not as worried about labour hours)

Termination strategy



The choices are:

- natural closure due to achievement of objectives,
- forced closure,
- transfer of all project resources to a new organisation,
- piecemeal integration of project resources into a host organisation, or
- stasis where the project budget is removed but it continues to exist, at least nominally, to meet political objectives of senior management



4.4 Learn lessons (4)

The literature says you *should*:

- collect the learning
- improve the next project
- The reality is it doesn't always work!

Practical Suggestions:

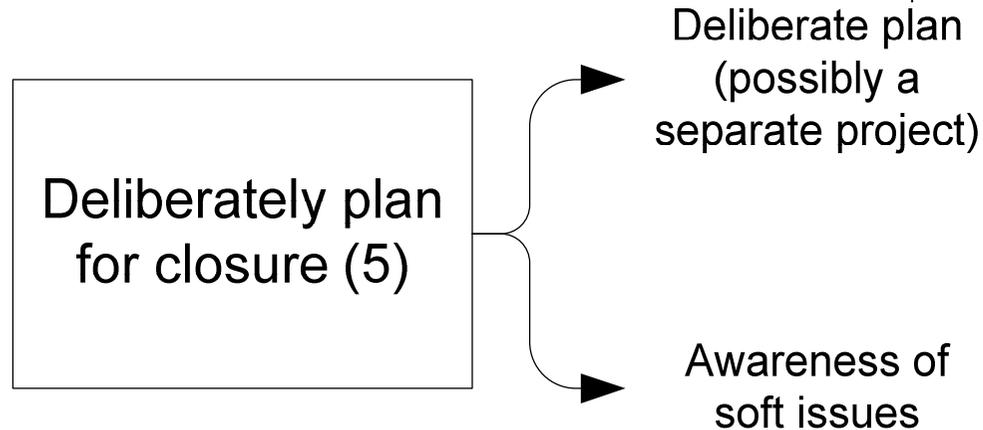
- Create an atmosphere of trust and honesty by setting some rules about behaviour during the review meeting.
- Seek to learn rather than assign blame.
- Let everyone have their say and don't worry about trying to forge consensus.
- Do the review as soon as possible to take advantage of reinforcement principles.

4.5 Deliberately plan for closure



Closure tends to be:

- neglected and poorly planned,
- a few tasks tacked onto the end,
- done when incentives and motivation are waning,
- treated as initiation in reverse.

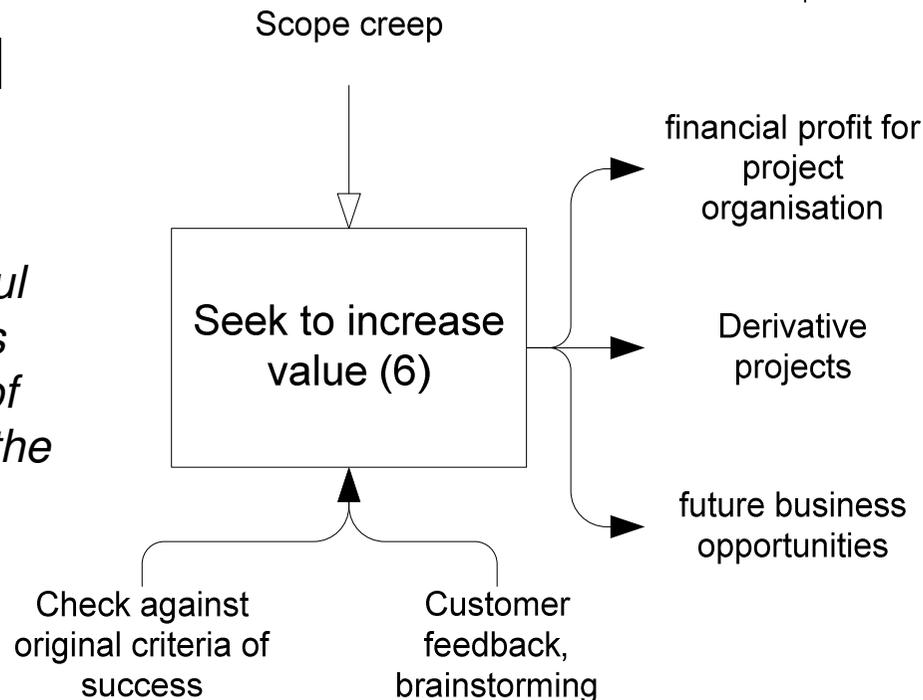


Closure is a project in its own right, and often must be resourced accordingly.



4.6 Seek to increase value (6)

- Check against original criteria of success:
- *'It's all too possible for completed projects to appear to be successful based on adherence to schedules and budgets, as well as delivery of benefits, even if they didn't meet the objectives that drove the original ROI case'* (Brandel, 2006, p37)



Increase value



- The problem is that '*people think of projects as temporary endeavors ...[and therefore] disband the project team*' (Brandel, 2006, p38).
- By being too focussed on only the project itself, they miss the opportunity for derivative works.

Capture opportunities to develop secondary projects that add *further value* to the customer:

- product enhancement,
- secondary functionality,
- related products.

Suggestion: brain-storming with the client after the project is *closed*.

4.7 Soft closure (7)



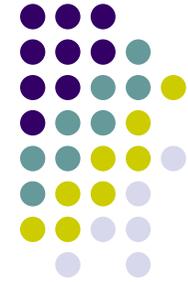
Disadvantages:

- Project management is a very outcome-driven method.
- Success criteria are usually client-centric.
- HR is mainly to 'enhance project performance' (PMBOK) or control output behaviour.

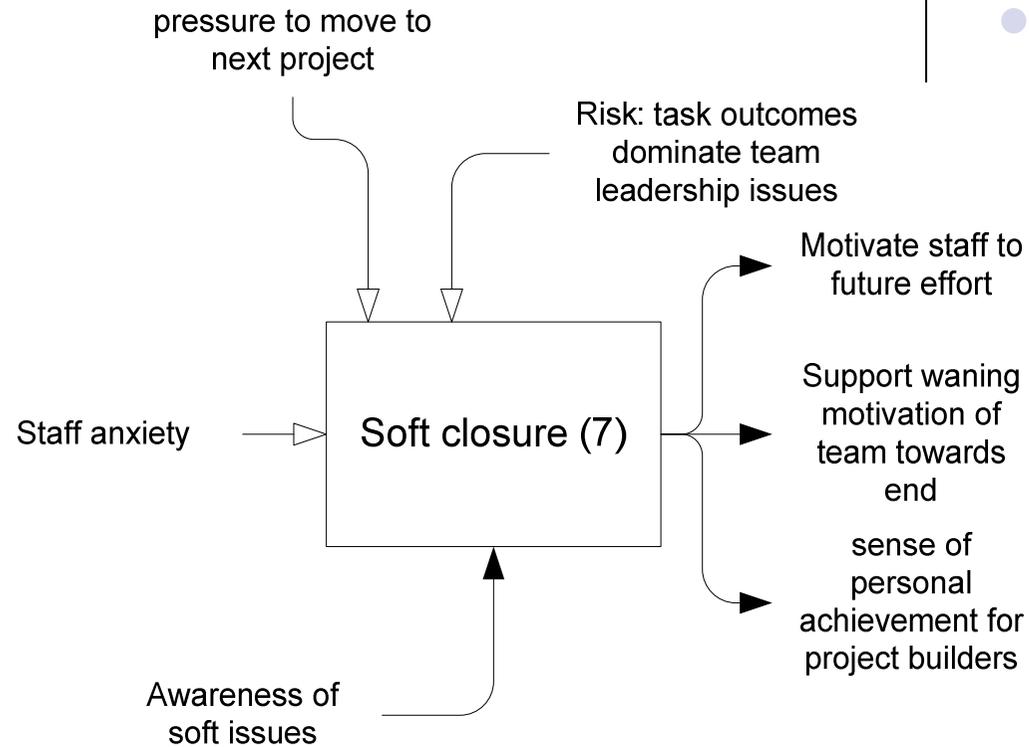
PM is less well-equipped to address the soft *leadership* issues:

- motivating staff,
- personal development (*all of* technical competence, organisational skills, *and* self-efficacy),
- vision,
- politics of power,
- influencing the behaviour of others.

Can we do anything about this?



Yes, start to see project management as more than just the management of technical resources, and focus on the soft issues, especially at closure.



What motivates the project leader (sponsor/champion)?

Motivation of team members

What motivates the project leader (sponsor/champion)?



Research shows that a champion's support for a project is NOT based on the:

- *technical merit* of the project
- nor any *superior ability* to discern successful candidate projects,

But on the:

- *political opportunity.*



Implications for project managers:

- ‘managers can no longer assume that champions are selfless, sagacious, visionary, and intrinsically motivated’
- There is less rationality in executive decision-making than often perceived.
- Objective criteria only influence the decision.
- Decision-making is seldom purely rational but rather ultimately based on:
 - intuition,
 - selfishness,
 - politics (power over other’s behaviour), etc.,

Motivation of team members

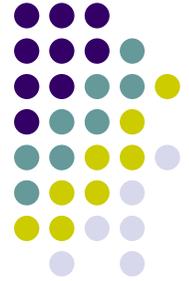


Team members are:

- not emotionless paid automatons
- but instead
- motivate themselves intrinsically by attributing their own *personal values and hopes* to the project
- gain *intrinsic* satisfaction from achieving goals.

Consequently:

- Anxiety at closure can demoralise staff.
- Terminating a project prematurely denies them the satisfaction and sense of self-efficacy (hence self-worth).
- Termination may be resisted.
- A failed project '*evokes beliefs that future attempts will also fail*' (Zikmund Fisher, 2004, p365)



Suggested solutions:

- be aware that others may be anxious (emotional-maturity)
- empathise with others through meaningful communication,
- help team members to transition to new positions after completion.

5 Implications for practitioners



The research is limited, but some tentative recommendations follow.

For termination decisions:

- determine the client and sponsor levels of residual interest in the project
- economic criteria are not always as important as people think
- slippage and labour hours are also less important
- project calendar time can be a priority for executives



For closure:

- actively plan
- resource it
- care for the intrinsic motivation of team members

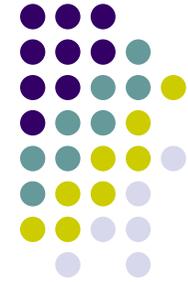
After closure:

- Learn within the team
- Add value through secondary projects

6 Conclusions



- Successful close-out of a project does not automatically occur when the project deliverables are handed over to the client.
- A substantial amount of organisational work remains to be done by the project manager.



- The decision-making process for termination is *complex*, and is likely influenced by escalation of commitment bias.
- That bias is only partly represented as a sunk cost bias, because closeness to completion is as much if not more important.
- It is recommended that project managers specifically *plan for closure*, i.e. that a decision to terminate probably needs a new and explicit closure plan.
- Motivational issues for project staff may be particularly significant in termination.

Thank you for your attention



I hope this presentation was useful to you.
Enquiries and feedback may be addressed to

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*Please see the published paper for more
information and the full list of references.*