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Project management in networks: strategies for ending

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Abstract

Project management literature focuses on the establishment, organization and management of projects but gives little attention on *how to end projects efficiently*. This is natural as projects usually and by definition, have a time limit set beforehand. This paper is about project endings and about premature ending, in particular. We show how managers can handle involved stakeholders in a positive way despite premature, unexpected and maybe undesired ending of a project. We present one empirical case and show *how the strategic business network around the ending project can be managed*. We propose that complex projects require complex ending strategies.

Keywords: project management, relationship ending, network strategies

Introduction

This paper investigates project ending in a network context. Our discussion is unique, as it focuses on the ending phase of (product development) projects, and, in particular, shows how to be successful in managing a product failure and unscheduled end of a project. We use network approach, and discuss the relationships with the counterparts in the project over several years. Earlier project management literature discusses project closure, but not interrelated projects meaning a holistic *ending strategy*. And while there exist extensive analysis of relationship ending on the one hand, and on managing strategic networks on the other, so far, no studies have focused on *ending strategy concerning strategic networks*.

We resort to an empirical analysis of a case study involving several actors over time. Projects usually and by definition, have a time limit set beforehand. If anything, projects last longer than expected. In practice, however, many projects need to be ended earlier than planned and have an unscheduled end. This paper is about premature ending of projects. It is usual that projects require more financial resources than planned, but here we focus on a situation, where the company decides to put an end on investing any more in the project.

The aim of the paper is to discuss different kind of ending strategies that may be needed when ending a complex inter-organizational project. For this purpose we will use the concepts developed for analysis of relationship ending within IMP research.

Our case is a story of an excellent product, aircraft Saab 2000. We present a product development project: the task was to develop the aircraft within a specific time limit, with specific resources and according to the needs of a committed customer. All of the involved parties, i.e. the suppliers, the launching customer, and manufacturer's employees, expected Saab 2000 to be a sales success and the product development project to have more years to run. But the project came to an end after only five years and 64 produced aircrafts. Our analysis shows that the ending of the product development was an unexpected, incremental and complicated process. Despite the product failure the company, Saab Aircraft AB, managed the project ending successfully.

This case therefore shows the critical areas for potential problems and success involved in ending projects. Evidence of this winning case is convincing: the aircrafts still fly, and the same companies involved in the initiation continue to develop the product, so that it will comply with, e.g. the administrative regulations, for the coming 20-25 years. As our case shows, to end a project is in itself a project: if successfully managed it meets all the criteria set in beforehand: time, resources, purpose, and satisfaction. We focus on a complex inter-organizational project: this case shows how one company can successfully deal with more than 300 involved companies in a crisis situation. Despite the negative feelings always involved in endings, if the ending project is managed in a professional way – as was done here – the involved parties have it easier to accept the situation and adapt to it.

In this paper we concentrate on discussing the case and its key findings. When developing the ideas further, we shall give more focus on analytic concepts of relationship ending.

Short introduction to the Saab 2000 case

This study resorts to one case study. Data for the analysis was collected by interviewing several involved actors between Spring 1999 and Spring 2000. Our analysis covers the years 1997-2000.

“No More Hope for Saab's Civil Aircraft” (Hoppet ute för Saabs civilflyg), was a newspaper headline in Sweden on the 16th of December 1997 - a day after the Board of Directors of Saab AB had decided to terminate the production of the commercial aircraft. This was a decision that came to influence directly around 230 suppliers and around 70 customers, i.e. operators that were flying with the existing *Saab 340* and the *Saab 2000*. Thus more than 300 companies were directly affected by the decision to terminate the production.

Saab 2000 (for up to 50 passengers) had been planned to be the next sales success after its successful “smaller sister” *Saab 340*, for ca. 30 passengers. *Saab 340* is a twin-turboprop regional airliner. In the beginning of the 80s there were no aircraft of its size: “*340 was built [...] because at the time there were only 80 seat aeroplanes.*” The first prototype of the plane made its maiden flight on the 25th of January 1983 and totally 460 aircraft was produced during 15 years, until 1999. At that time the company had one third of the world market in this aircraft segment.

The first plans for the new aircraft, *Saab 2000*, had been presented on the 15th of December 1988. This new aircraft was to be the fastest turboprop airliner on the market with a speed of 670 km/h and range of 2,340 km. It was also planned to be more passenger-friendly with more spacious interior with generous seat and aisle widths, plus excellent headroom. The passenger comfort would also be enhanced by slow turning propellers that guaranteed a low noise level in the cabin. Nothing was speaking against another successful product. The new aircraft would be as the successful *Saab 340* but bigger and even better in several aspects.

However, the expectations were not met and Saab AB made the decision to end production. Saab Aircraft AB produced only 64 *Saab 2000* aircraft, while at least 200 would have been needed to get back all the investment costs that the company and its 230 suppliers had put in the development of the new aircraft model. Even though *Saab 340* was a sales success Saab Aircraft AB could not continue to produce it as its business was organized around the two production lines of these aircrafts. Termination of production of *Saab 340* was not, however, seen as a problematic, since all the involved parties had got back their development costs. So, nobody questioned the decision and this was seen as a “natural death” of a product.

The story is different for the unscheduled ending of *Saab 2000*. This case discusses how to handle a problematic situation when a huge development project ends earlier than planned. This was nothing that the parties expected or for which they were prepared, as all the involved parties - Saab Aircraft, the suppliers, and the launching partner - agreed that it was an excellent product and they were sure it would be a sales success.

So how does the new situation look like? We have the company Saab Aircraft AB that is forced to end the production of its commercial aircraft including its sales success *Saab 340* and its development project *Saab 2000*. Saab Aircraft AB is the company that takes care of the interface between the different products that 230 (domestic and international) suppliers deliver to Linköping in Sweden. We have also the around 70 operators flying with the in total 524 aircraft. Each aircraft must be in a perfect shape for the coming 20-25 years. This means that maintenance and spare parts must be available. Of course we have also the 1800 employees that would loose their jobs. A lot of strategic thinking and management of networks are needed.

Saab Aircraft AB’s way of managing ending

Our case company Saab Aircraft AB managed to handle the situation thanks to its committed managers and the purchasing department’s efforts during 1,5 years. The task at hand was enormous due to the large number of involved parties.

Saab Aircraft AB had written agreements with all its 230 suppliers. These agreements included, among other things, conditions regarding after-market support including spare parts, and technical maintenance. In each agreement there was also a clause regarding how to handle termination and what kind of compensation the supplier would get in case of termination. When going through the agreements it became obvious that the agreements did not cover a situation like that at hand, namely that the reason for termination was “the market” that did not buy the product. This means that at the time when the written agreements were negotiated none of the parties had experience of ceasing of production due to external forces after only few produced aircraft.

The purchasing department’s task became to re-negotiate the agreements with all the 230 suppliers. Before the negotiations started the suppliers were divided in different categories:

- (a) Strategically important suppliers for the future and/or problematic in some way.
- (b) Suppliers that were seen as normally important suppliers.
- (c) Suppliers of products that could be bought from alternative suppliers.

It was decided that the category "strategically important for the future and/or problematic in some way" should get a personal visit. There were about 70 suppliers of this kind, who all got a visit and information regarding why Saab Aircraft AB was forced to terminate the production, what the future looked like, about the re-organization of the customer support, and what was expected of the suppliers. At the same time the suppliers got the possibility to make questions. The purpose was to try to make the suppliers to accept that the previous agreement regarding after-market would continue to be valid. The suppliers from the other two groups got a letter with the same information as was delivered personally to the suppliers in the first group. In the letter it was asked that the suppliers would sign it and send it back to confirm that they had understood the situation and that they would not have any requirements in the future.

The purchasing department was to disappear on the 30th June 1999. This meant that the department had about one and a half a year to terminate the contracts with all the 230 suppliers, and to negotiate new contracts regarding the maintenance and spare parts. After this it would be the Customer Support Department that was going to take care of the supplier relationships. This would also mean that in the future it would be different persons who took care of the every-day business relationships. The negotiation with the last supplier was finished on 30th June 1999, the same day that the purchasing department was to be closed down.

Among the suppliers we can find three types of development in the relationships:

1) Terminated relationships

Suppliers of components to aircraft have normally about 3-5 percent of their sales going to one customer, which means that they will normally not suffer dramatically when one contract is closed down. As the production was not terminated over night, this gave time for many of the suppliers to adapt to the new situation. This means that only few relationships were terminated.

2) Relationships that changed totally

Suppliers that deliver the structural parts, for example the tail, of an aircraft would probably not need to supply so many spare parts, and therefore the end of production of new aircraft meant a total change of the relationship. These suppliers were also those who had invested in product development due to the fact that the structural parts are specific for each aircraft type.

3) Relationships that changed partly

Suppliers who manufacture different types of moving parts in an aircraft can continue to deliver spare parts in the same way as during the production phase. Examples of moving parts are propellers, and parts in the engine, which are parts that are most easily worn out due to the high temperatures in the engine. Breaks and wheels are also types of products that are needed continuously. These types of suppliers were normally not problematic during the negotiation phase, as the relationship with them would not change in the short run.

The company management was successful in its project ending strategy. In particular, this case shows that they were ready and willing to deal with the complex ending strategy situation that their complex project called for. Furthermore, the company initiated and managed adaptations in supplier relations that were required for mutual benefit. They were also on alert in dealing with the future uncertainties: the "time after" the decision to end the project.

Our conclusions from this successful ending of the project are the following. Success in ending, demands for, firstly, attention to relations (with different stakeholders: suppliers, customers, employees); secondly, managerial vision and experience; thirdly, teamwork and commitment; and finally, explicit management of the strategic network.

From relationship ending concepts into project ending strategies

Managing a project at the end of its life cycle is an important phase of project management but often gets missed or superficially mentioned in the usual project management literature. In the literature *project closure* is seen as something important, but natural and uncomplicated (e.g. Berkun, 2005). As our case illustrates ending a project takes time and effort: only to re-negotiate the agreements took 1,5 years and involved directly 25 persons from Saab Aircraft AB. This indicates that the project ending should be more in focus in studies than is the case now.

Ending concepts in business relationship literature

Recently, relationship ending has attracted an increasing interest among IMP researchers (e.g. Alajoutsijärvi, Möller & Tähtinen, 2000; Halinen & Tähtinen, 2002; Havila & Wilkinson, 2002; Tähtinen & Halinen, 2002; Tähtinen & Vaaland, 2005). Common terms used in studies of business relationship ending are: dissolution, termination, exit, switching behaviour, and fading (Tähtinen & Halinen, 2002). A business relationship can be seen to evolve through different "phases" (Dwyer et al., 1987) or "stages" (Ford, 1980), where the ending phase/stage has until recently got little attention. Also ending can be seen to involve different stages: assessment stage, decision-making stage, dyadic communication stage, disengagement stage, aftermath stage, and network communication stage (Halinen & Tähtinen, 2002).

Main focus on dyads and processes in studies of business relationship ending

Of the research that has been made on business relationship ending, the dominant focus has been on the process of the dissolution (e.g. Alajoutsijärvi, Möller & Tähtinen, 2000; Giller & Matear, 2001; Halinen & Tähtinen, 2002; Tähtinen, 2002). As discussed by, for example, Alajoutsijärvi, Möller & Tähtinen (2000), Halinen & Tähtinen (2002), and Tähtinen (2001) relationship dissolution can be a complex and complicated process that disconnects the two business parties from each other. In their overview of research on ending of exchange relationships Tähtinen & Halinen (2002) show among other things that research has primarily focused on relationship ending between two parties. If other parties are mentioned it is in the form of how the dyadic business relationship influences other relationships or how other relationships influence the focal dyad.

Less research has been devoted to studying the network effects of business relationship ending, i.e. how the business network is affected by the ending of a business relationship (e.g. Dahlin et al., 2005). However, researchers agree that "no business is an island" (Håkansson & Snehota, 1989) which the case above is a good illustration of.

Ending strategies

Earlier research on business relationship ending has focused on different type of communication strategies in connection to ending (Alajoutsijärvi, Möller & Tähtinen, 2000). The conceptualization is based on studies on personal relationships and on exit and voice strategies (ibid. p. 1273). Also Giller & Matear (2001) use studies in social psychology as a starting point to discuss ending strategies. One problem, which the authors comment, is that even though strategies for personal relationship ending provide useful basis for studying ending of business relationships often more than two actors are involved.

Project ending – what is different?

The main difference between ending a business relationship compared to ending an inter-organizational project is the complexity due to the number of involved parties. As the case shows, each relationship was managed in a special way according to the type of relationship and its history.

Another difference is the need for communication with many parties at the same time. An earlier study shows that managers prefer to communicate R&D project termination decisions in writing (Balachandra, Brockhoff & Pearson, 1996). As the case above illustrates, personal communication was an important and crucial part of the project ending strategy regarding some of the parties.

Conclusions

Our key focus is to show that complex projects (involving several actors and taking place in networks) require complex ending strategies. The ending strategies depend on the counterparts. This means that relationships with different stakeholder groups – e.g. customers, suppliers, government, media – and different individual actors need to be managed in different ways. And furthermore, timing of decision making as well as activities is a critical factor influencing success. Thus a holistic network approach to managing project endings is needed.

Our contribution concerns bringing together two streams of research: network strategies and project management. By taking a network view to project management, and project ending in particular, our paper aims at filling an evident gap in present literature on project management. This literature focuses on the establishment, organisation and management of projects but gives little attention on *how to end projects efficiently*. For example, a recent book (Harvard Business Review 2005) shows that the theme is important. However, most of the articles included in the book are from the 80s and 90s which shows the lack of literature in this area. Here, we use the recent concepts of relationship ending developed by IMP researchers to enrich literature on project management.

For managers we have three implications. Firstly, each project manager should be aware that projects may end before the planned time. Secondly, he/she should be prepared for the ending and know what to do in a sudden ending situation. Thirdly, in the ending situation management of the strategic network (including, for instance, customers, suppliers, and governmental agencies) is the key for success. Complex project often involves complex strategy of ending, involving several sub-strategies concerning different counterparts.

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