



**Everyone's Smart
University**

Project Communications

Lecture 11

PMG 201

EVALUATING AND TERMINATING THE PROJECT

Objective

1 . Evaluation

Evaluation Criteria

Measurement

2. Project Auditing

The Audit Process

The Audit Report

3. Project Termination

When to Terminate a Project

Types of Project Termination

The Termination Process

The Project Final Report

1 . Evaluation

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Evaluation Criteria

Measurement

Evaluation

❑ The term “ evaluate ” means to set the value of or appraise. A *project evaluation* appraises the progress and performance relative to the project ’ s initial or revised plan.

Purpose of Evaluation

- **Assess performance**
- **Reveal areas of deviation from original scope &/or goals**
- **Snoop out potential problem areas**
- **Keep stakeholders informed**

Two Types of Evaluation

- **Formative evaluation**
 - Throughout project lifecycle
 - Provide information for corrective action
 - “What’s happening?” & “How’s progress?”
- **Summary evaluation**
 - After project completed
 - **AKA** “Lessons Learned”
 - “What happened and what resulted?”

Formative Evaluation

- Complex relationships among cost, time, & scope
- **CT&S** are always interrelated and draw from the same limited resource pool
- Cannot just look at one criteria

Goals of Evaluation

- Reveals problem areas
- Alerts personnel to ***potential*** problem areas
- Identifies opportunities to increase customer satisfaction by reducing costs, accelerating work, or enhancing project outcomes

Evaluation Criteria

- There are many different measures that may be applied in a project evaluation. As indicated, senior management may have particular areas they want evaluated for future planning and decisions, and these should be indicated in the charge to the evaluation committee.
- Certainly, one of the major evaluation criteria would be the project's apparent "success" to date.
- The criteria noted above are usually sufficient for purely routine projects,

Items to Consider for Project Evaluation Report Recommendations

- Communication with the client and senior management.
- Locating opportunities for technological advances.
- Reduction of indirect costs and direct costs.
- Improving the project - management process.
- Identification of risks in the organization ' s use of projects.
- Utilization of the skills resulting from project members ' work on projects.
- Employment of general management experience gained by project managers.
- Improving the organization ' s use of projects.
- Increasing the speed of obtaining results in projects.

Measurement

- **Measuring the project ' s performance against a planned budget and schedule is relatively straightforward, and it is not too difficult to determine if individual milestones have been reached. As we have noted several times, there are complications regarding measurement of actual expenditures and earned values, as well as with reporting on difficult technical issues that may have been deferred while progress was being made along other fronts.**

project evaluation

- A project evaluation is an appraisal for use by top management. Its criteria should include the needs of management; the organization's stated and unstated goals; the original selection basis for the project; and its success to date in terms of its efficiency, customer impact/satisfaction, business success, and future potential. Measuring the project's success on budget, schedule, and performance is easier than measuring revenues or qualitative, subjective factors. Establishing the measures at project formation is helpful, as well as using carefully standardized measurement techniques for the subjective factors.

2. Project Auditing

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Project Auditing

- A very special type of evaluation is the formal audit. The project audit is a thorough examination of the management of a project, its methodology and procedures, its records, properties, inventories, budgets, expenditures, progress, and so on.
- The project audit is not a financial audit, but is far broader in scope and may deal with the whole or any part of the project.
- For a comparison of the two,. It can also be very flexible, and can focus on any issues of interest to senior management. The project audit is also broader than the traditional management audit that focuses its attention on the organization's management systems and operation.

The Audit Process

- The timing of the audit depends on the purpose of the audit, Because early problem identification leads to easier solutions, it is often helpful to have an audit early in the project ' s life.
- Such audits are usually focused on technical issues. Later audits tend to focus more on budget and schedule because most of the technical issues are resolved by this time. Thus, these later audits are typically of less value to the project team and of more interest to general management.
- An obvious case here is the *post project audit* , often contractually required by the customer as well as a common ingredient in the Final Project Report.

Typical steps in a project audit are:

- **1.** Familiarize the audit team with the requirements of the project, including its basis for selection and any special charges by upper management.
- 2.** Audit the project on - site.
- 3.** Write up the audit report in the required format (discussed in the next subsection).
- 4.** Distribute the report.

The Audit Report

- If the audit is to be taken seriously, all the information must be credibly presented. The data should be carefully checked, and all calculations verified. Deciding what to include and what to exclude is also important. The audit report should be written with a “constructive” tone or project morale may suffer to the point of endangering the project. Bear in mind, however, that constructive criticism never feels that constructive to the criticizee.

The Audit Report con.

At a minimum, the following information should be contained in the report:

- 1. Introduction :** A brief description of the project that includes the project ' s direct goals and objectives.
- 2. Current status :** This compares the work actually completed to the project plan along several measures of performance.
- 3. Future project status :** The auditor ' s conclusions regarding project progress and recommendations for changes in technical approach, schedule, or budget should be made in this section.

The Audit Report con.

4. *Critical management issues* : Any issues that the auditor feels senior management should monitor should be identified here. The relationship between these issues and the project objectives should be briefly described.
5. *Risk analysis and risk management* : This section addresses the potential for project failure or monetary loss.
6. *Final comments* : This section contains caveats, assumptions, limitations, and information applicable to other projects.

The project audit is a thorough examination of the entire project at any level of depth. Early audits tend to focus on more technical aspects of the project while later audits focus on schedule and cost. The audit team must have full access to project data and staff familiar with the project, including the project team.

Working with the project team is a delicate behavioral process. The final audit report should be written with a professional and constructive tone and should include the following sections: introduction, current status, future status, critical management issues, risk analysis and risk management, plus final comments.

3. Project Termination

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Project Termination

- Eventually the project is terminated, either quickly or slowly, but the manner in which it is closed out will have a major impact on the quality of life in the organization. Occasionally, the way project termination is managed can have an impact on the success of the project. Invariably, however, it has a major effect on the residual attitudes toward the project held by senior management, the client, the project team, and even others in the organization. It also has a major effect on the organization's successful use of projects in the future.

When to Terminate a Project

- If one adopts the position that sunk costs are irrelevant to current investment decisions, a primary criterion for project continuance or termination should be whether or not the organization is willing to invest the time and cost required to complete the project, given its current status and expected outcome.

When to Terminate?

- Will Project Still Achieve Minimum Goals Set for It? If No, Terminate! If Yes, You Still Might Want to Combine Projects
- Burton Dean Comments that Projects Should be Terminated When Probability of Commercial or Technical Failure is Sufficiently High
- Problem: How Do You Measure Success/Failure?

Types of Project Termination

- Termination by Extinction
- Termination by Addition
- Termination by Integration
- Termination by Starvation (Lack of Budget)

Project Termination

Breaking Up is Hard to Do ...

One Must Reassign

- People – In the Case of Non-Recurring Projects, to Other Projects
- Space – Often Difficult for People to Give Up
- Equipment – Must Find New Uses or Sell (Can also Include Leftover Material)

Success Factors (Pinto & Slevin)

- Project Mission
- Top-Management Support
- Project Schedule/Plan
- Client Consultation
- Personnel
- Technical Tasks
- Client Acceptance
- Monitoring and Feedback
- Communication
- Trouble-Shooting

The Termination Decision

- Does the Project Qualify Against Success Factors?

Various Models Have Been Proposed that Input Factors and Output Desirability or Net Present Value – In Practice Decision is Largely *Subjective*

- Does Project Meet Goals/Objectives Originally Set for It at Present Time?

Problem is Time has Elapsed since Goals were Set – Is Current Expected Output/Outcome > Estimated Cost Required to Complete Project?

Implementation of Termination

- A Project in Itself
- Need for Planning/Budgeting/Scheduling
- Need to Resist “Stretch Out”
- Termination Managers Can be Useful

Main Duties of the Termination Manager

- Ensure completion of the work, including that of subcontractors.
- Notify the client of project completion and ensure that delivery and installation are accomplished. Acceptance of the project must be acknowledged by the client.
- Ensure that documentation is complete, including the project final report.
- Clear all accounts and documentation for final billings and client invoicing.
- Redistribute personnel, materials, equipment, and other project resources to appropriate places, including the return of client - provided resources.

Main Duties of the Termination Manager cont. ...

- Clear the project with legal counsel, including filings for patents and recording and archiving all nondisclosure documents.
- Determine what records to keep and deliver them to safe and responsible people, such as the organization's archivist, or store them in the organization's archives.
- Ascertain any product support requirements (e.g., spares, service manuals) and ensure that such support will be delivered.
- Oversee the closing of the project's books.

Final Reports

1. Project Performance
2. Administrative Performance
3. Organizational Structure
4. Project and Administrative Teams
5. Techniques of Project Management

Final Reports

❑ How the report is written, and in what style, is a matter of taste and preference. In any case, the following items should be addressed.

- *Project performance*
- *Administrative performance*
- *Organizational structure*
- *Project teamwork*
- *Project management techniques*

Monthly Progress Reports

- Brief project status summary
- “Red Flag” items & corrective action
- Accomplishments, changes, & projections
- Minor problem areas & corrective action
- Cost & manpower situation

Reports to Project Manager

- Work completed to date
- Forecasts:
 - Costs at completion
 - Schedule expectations
- Financial status
 - Incurred costs
 - Planned vs. actual

Reports to Customer

- Work completion status & projections
- Changes (by requests &/or events)
 - Impacts on cost/time/scope
- PM should bear responsibility
 - Honest & frequent
 - Avoid “Surprises”

❑ Projects are usually terminated either based on

(1) the degree to which they are meeting their goals or

(2) the degree to which they qualify on factors shown to be linked to success or failure in other projects.

- The most common reason for early termination is the probability of a technical or commercial failure. The four types of project termination are extinction, addition, integration, and starvation. The termination decision should be decided by a management committee, run by a termination manager, and executed as a project in itself. Placing the project team members in new assignments is a particularly important aspect of termination.**

- **The PM should prepare a project final report that makes recommendations for improving the organization ' s future project - management practices.**