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[Project-ending competence in premature project closures](#)
International Journal of Project Management, 2013; 31(1):90-99

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DOI: [10.1016/j.indmarman.2011.06.015](https://doi.org/10.1016/j.indmarman.2011.06.015)

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20 August 2013

<http://hdl.handle.net/2440/72935>

Ending-Competence in Business Closure

As accepted February 2011

Havila, Virpi and Christopher John Medlin (2012), "Ending-competence in Business Closure," *Industrial Marketing Management*, 41 (3), 413-20.

Abstract

Business closure and ending-competence are highly relevant concepts in a globalizing world economy where structural change is common. However, ending-competence in business closure situations is a rarely studied phenomenon, and prior theoretical development is modest. In this paper a conceptual model of ending-competence in business closure is developed. A case study examination of a business closure, involving a car manufacturing plant owned by Mitsubishi Motors Australia Ltd., allows further development of the model. The model consists of four elements: (1) earlier experiences of ending; (2) an understanding of different types of commitment; (3) the interdependence between parties; and (4) coordinating and timing the ending. The model illustrates the different roles played by upper and operational management during a closure process. An understanding of ending-competence is important to managers of large firms and to educators of future managers.

Keywords: Ending-competence, commitment, timing, business closure

Research highlights

- conceptualizes the elements of an effective business closure: (i) experience, (ii) understanding different commitments, (iii) understanding internal and external interdependencies, (iv) timing and coordinating
- suggests ways to manage timing of different business closure aspects
- improves CEOs and managers understanding of an effective business closure
- records an effective business closure of a car plant by Mitsubishi Motors Australia Limited.

Introduction

Technological change, growing global competition and increasingly sophisticated customers continue to drive the need for business and resource restructuring. However, business restructuring comes at a cost, with disruption, changes in contracts, changes in employment conditions and the potential to influence on-going business operations. One example of how business restructuring had a dramatic influence on sales is when Nissan Australia, in February 1992, closed their local car manufacturing plant. Nissan's market share of the Australian passenger car market fell by 50% over the following three years (VFACTS Service).

Business restructuring is approached in the literature in a number of ways. For example, Business Process Reengineering (BPR) refers to the re-design of business units according to a process or activity perspective of the firm (Francis & MacIntosh, 1997; Gunasekaran & Nath, 1997; O'Neill & Sohal, 1999; Zairi & Sinclair, 1995). The BPR literature is focused within the firm and is concerned with re-designing a specific business unit. However, restructuring can also refer to reorganization of multiple business units, in which case strategic, synergy, financial and risk issues are of concern (Bowman & Singh, 1993). Often business closure is one aspect of such restructuring. On a broader institutional level, authors also consider the restructuring of industries (e.g., Holmes, 1983). The level of analysis, whether business unit, firm, multiple firm, or industry, evidently influences the investigation and also the issues of relevance in business-restructure situations. However, the importance of firm connectedness in a business restructure process is rarely commented upon (Short & Venkatraman, 1992). The degree of connectedness, which is related to resource specificity and the way products are customised for the buying firm, will influence the dynamics of restructuring.

In this paper we focus on one part of business restructuring, namely business closure. This aspect of business restructuring is rarely commented on in the literature, which means that we still know little about the consequences of business closure for business restructure. When a company's business activities are closed down, this usually means that the company needs to end supplier relationships. In addition, the firm will also close different types of facilities and end employment contracts. Thus, business closure will involve both company-internal as well as company-external parties, often during a short time period. We argue that a company needs to have competence in ending, i.e. special managerial skills and understandings beyond those normally employed by managers who take care of the on-going business, and that this competence needs to encompass many different types of ending.

As business closures are uncommon, it is difficult to gain knowledge through experience, as suggested by Nonaka and Takeuchi (1995). However, there is a need to learn more about the competence required during a business closure, as the nature of closure impacts on many stakeholders and also on the future business of the restructuring firm. One research field that offers some help is the project management literature, which recognizes project-ending as a natural phenomenon.

Another research field that has given attention to ending is research in business-to-business relationships (see Alajoutsijärvi, Möller & Tähtinen, 2000; Halinen & Tähtinen, 2002). This research offers insights into issues that become important when relationships to company-external parties need to be ended. However, business closure is more than the ending of relationships, as the closure process is usually short, filled with angst, and has the goal of restructuring resources of the parent firm. This broader perspective encompasses more than

ending business relationships, because simultaneously, the firm ends supplier relationships, customer relationships, employment contracts and it often closes facilities. Thus, we need to have a more comprehensive view on business closure beyond simply that of ending business relationships.

As a result, our purpose in this paper is to develop a conceptual model of ending-competence in business closure. Our argument is that when restructuring through business closure, a company needs ending-competence to manage company-internal issues, as well as the affects of ending external commitments. Furthermore, we argue that there are interactive affects between internal and external commitments that add significant complexity to the managerial task, creating the need for competence different from that required for normal managerial purposes.

The paper is structured in the following manner. First, we consider the theoretical framework appropriate for understanding ending during a business closure process. Second, we present a case study of a successful business closure. Third, we analyse the case study and so develop a conceptual model of ending-competence in business closure. Finally, we consider managerial implications and future research.

Theoretical Framework

Complete business closure is not about managing as usual. The on-going business must be managed to the closing date, while at the same time the flow of different types of resources must be halted, deflected or transferred to other uses. In addition, customers may require assurances of continuing product support. Thus, there is another type of managerial competence needed to manage business closure as part of a parent firm restructure. This 'ending-competence' is a special case of administrative competence (Teece, Rumelt, Dosi & Winter, 1994) where, rather than designing an organizational structure for efficient economic performance, the task is to facilitate the closure of a business. The importance of developing managerial skills and an understanding of business closure within a restructure scenario is evident from the case of Nissan Australia.

The two research fields where these issues have to some extent been discussed are research in *project management* and in *business-to-business relationships*. We also note that knowledge of different and straightforward project-endings is often held within a firm and is available to managers. Thus, the research area of *knowledge management* offers some insights into ending-competence.

Project management and endings

Projects are set up for an explicit purpose and a specific time period (see Lundin & Söderholm, 1995). According to the Project Management Institute's definition (2004, p. 5), a project is '*... a temporary endeavour undertaken to create a unique product or service, or result*'. The project form of organising can be used for many different reasons. Söderlund (2005) divides projects into three categories: (1) business projects, which involve products that are sold to clients; (2) development projects, which involve company-internal projects; and (3) change projects, which involve projects aiming to develop the organisational structure and working methods. This last project type is closest to business restructure and closure as, over a limited period, the goal is to change the business.

Project management textbooks advise that project ending should involve project evaluation, recording of all important descriptions and technical data, and end with a final report that describes the whole process (see Lock, 2003; Meredith & Mantel, 2000; Turner, 1999). Each project usually has an appointed project manager who is responsible for the planning and execution of the project according to the project goal/s, budget and time limit (Meredith & Mantel, 2000). Thus, project management textbooks focus on the sequencing of the activities required to successfully complete a project regarding goals, budget and time.

In project management research, the main focus has been on the beginning and development of projects (see Lundin & Söderholm, 1995). Only limited research has been undertaken on the ending phase, since a kind of '*built-in termination mechanism*' exists in each project (ibid., p. 449). However, one study focuses on the ending phase of two large inter-organizational projects (Havila & Salmi, 2009). The ending involved more than 200 suppliers and around 70 customers, and showed that during the closure process, an understanding of the earlier commitments between the involved parties became a critical issue. Earlier research also shows that another critical issue is timing of the different types of endings during a business closure (Wigblad, 1995). However, project management research has mainly concentrated on intra-organizational projects, where the goal is internal to the project.

As the project form is a common way to organise work, within each company, knowledge exists regarding how to perform a project from the beginning to the end. Thus, one type of competence, i.e. ending specific projects, can usually be found within companies. However, earlier research has shown that even though closing of projects had included writing a project report, the new knowledge gained was not '*... used as efficiently as possible. New knowledge was clearly created, but its accumulation and storage was unsystematic.*' (Kasvi, Vartiainen & Hailikari, 2003).

No project management research examines the managerial competence required within a business restructure scenario. To find more insights into ending issues, we now turn to the field of business-to-business relationships and the ending of business relationships.

Business relationships and endings

The first business-to-business researchers to acknowledge the importance of ending business relationships were Ford (1980) and Dwyer et al. (1987). For these researchers, the lifecycle analogy placed attention on the final stage of a business relationship. However, later research focused on the ending process (Halinen & Tähtinen, 2002; Michalski, 2004), on ending strategies (Alajoutsijärvi et al., 2000; Giller & Matear, 2001), and on relationship stress (Holmlund-Rytkönen & Strandvik, 2005). There are also studies focusing on endings in different contexts, such as ending inter-organizational cooperation (Tidström & Åhman, 2006), and dissolution of relationships in a Chinese context (Pressey & Qui, 2007). Today we know that business relationships may end for a variety of reasons and that the ending processes often differ.

Earlier research shows that business relationship ending is not a clear-cut issue. Even though the parties may stop trading with each other, some kind of social bonds exist that can be activated at some future point in time (Havila & Wilkinson, 2002). Studies also show that business relationship ending may have consequences for other companies, such as suppliers and customers of the two companies that end their business relationship (Havila & Salmi, 2002). Thus, the business relationship ending literature highlights the importance of different types of commitments and interdependencies between companies.

What is missing is knowledge of the situation and processes required when a company closes and ends many, if not all of its business relationships with external parties such as suppliers and customers. The distinction we draw is that the firm enacting the closure is not withdrawing from one or a few relationships so as to improve a continuing business, which is the focus on past relationship ending research. Rather the firm is completely withdrawing from a business arena and re-directing resources to other spheres. Such a closure and withdrawal from many interdependent business relationships represents a major statement by the firm undertaking the restructure, one with ramifications not only with regard to the ended supplier relationships, but also across all of the firm's business areas.

To sum up, this literature suggests that ending business relationships requires careful closure of social and structural bonds. Not only is there a risk of losing the ability to reactivate these bonds at a later time, but there is also the possibility of external actors within the new strategy observing the quality of the relationship endings and adjusting their commitment to the restructuring firm.

Knowledge of ending

Organizational competence is associated with skills, corporate assets, routines and capacities that provide a company with the means to compete (Teece, 1988). Organizational competence rests on learning and organizational knowledge (Teece et al., 1994).

Organizational knowledge can be defined as *'the capability members of an organization have developed to draw distinctions in the process of carrying out their work, in particular concrete contexts, by enacting sets of generalizations whose application depends on historically evolved collective understandings'* (Tsoukas & Vladimirou, 2001). For creation of organizational knowledge concerning ending-competence, employees need involvement in an interactive spiral of tacit and explicit knowledge within a problem context (Nonaka & Takeuchi, 1995). Since business closure is not common, a company and its employees will find it difficult to acquire ending-competence.

However, even though business closure is often a new type of situation for a company, there may be individuals that have knowledge of some types of endings. For example, there is knowledge of ending within the car industry, as models are superseded and up-dated on a regular basis. Further, a company can also acquire knowledge from outside by involving different types of consultant companies, or from other subsidiaries of a parent company. In these cases transfer of explicit knowledge is possible, for example through written documents and discussion around an individual's experience in managing a business closure. In other words, a company can apply experiences of other endings. This suggests an important role for past experience in the concept of ending-competence.

To sum up, the company's commitments vis-à-vis its employees, suppliers and customers become a central issue during a closure process. During a closure all these different types of commitments must be handled simultaneously, which means that an understanding of the interdependencies between commitments is important. Furthermore, a company may have more or less experience in ending.

Next, we introduce a case study of the restructuring of business by Mitsubishi Motors Australia Ltd. As the case will illustrate, different types of interdependencies mean that ending is not only about the present, about cost savings and efficiency; but also each ending

has future consequences (Ford & Håkansson, 2006; Medlin, 2004). We will continue to discuss ending-competence in business closures after the case presentation.

Method

As ending-competence is a multi-faceted phenomenon, we chose a case study approach (Yin, 1994) as the research strategy. Ending-competence is also a phenomenon that needs to be studied over time, as the knowledge of how to restructure by ending is built over time within companies. Ending-competence also encompasses a 'shadow of the future' (Axelrod, 1984), which means that a longitudinal case study approach gives us the possibility to include this aspect. Our purpose is to develop a conceptual model, which provides one more reason to select the case study strategy (Eisenhardt, 1989).

The empirical case study is of a plant closure by Mitsubishi Motors Australia Ltd. (MMAL) in Adelaide, South Australia, in 2008. This plant closure meant that the company ceased manufacturing cars in Australia, which in turn, influenced all 137 suppliers that had supplied parts to the Mitsubishi 380 vehicle that was produced at the plant. The plant closure resulted in around 900 employees being laid-off. The Mitsubishi case illustrates a business closure with a 'quality' element, whereby the company's reputation and brand seem not to have been damaged by the restructuring process. As a result, the Mitsubishi case is useful for developing a conceptual model of ending-competence in business closure.

In total, the study is based on 17 in-depth interviews with 14 persons, ranging in length from 30 minutes to two hours. The interviewees answered questions that developed a chronological story of the closure. Interviews were conducted, after the March 2008 closure, in May, October and November 2008 and again in November and December 2009 when all external relationships were ended. The final series of interviews allowed checking of previously collected data and finalization of the closure. Five of the interviewed persons worked at Mitsubishi Motors Australia Ltd. (MMAL) in different managerial roles. These managers were chosen to disclose the ending story from different perspectives, including the interdependencies of commitments both internal and external to the company. To gain an external perspective, nine interviews were conducted with seven different supply companies. These firms were chosen to represent a range of relationship changes, with five being complete endings and two changed the character of their continuing association. No retailers were included, as this part of the business was not changed. All the interviews were recorded and transcribed and a case history produced. This also included a wide range of secondary material such as information from the different companies' web sites and news articles.

Theory dealing with project endings, the ending of business relationships and knowledge creation and transfer gave us some help in analysing the case material and developing the conceptual model. First, theory indicated that earlier *experiences* could enhance ending-competence. Second, understanding the different types of *commitments* and the *interdependencies* between the parties is important during a business closure. Third, *timing* of ending of these commitments is a critical issue. The case study was used to analyse and further elaborate on these four issues.

The Case of Ending Production of Mitsubishi Cars in Australia

Setting the Stage

When the long running Magna model was coming to the end of its effective life, a decision was taken by Mitsubishi Motors Corporation (MMC) of Japan in 2002 to begin production of the 380 model at the MMAL production facility in Tonsley Park, in Adelaide, South Australia. Between February 1984 and August 2005, a total of 793,521 Magna cars were produced at the plant. Until 2005, MMAL (a wholly owned subsidiary of MMC) also had an engine manufacturing plant in Lonsdale, Adelaide.

Once the decision to build the 380 model was made, suppliers were chosen and agreements were prepared between the suppliers, MMAL and MMC of Japan. The design and development process took about two and a half years. However, consumer and business demand for the 380 model never became strong. The 380 model, a large family car with considerable petrol consumption, was introduced at the same time as petrol prices began to rise. There was also increased competitive pressure in the market at the time of the introduction. This meant that production never reached the planned 30,000 units per annum.

The case story starts with the decision taken by the parent company MMC of Japan to end production of the Mitsubishi 380.

Plant closure

Even if MMAL had been considering closure as one of the possible alternatives, the final closure decision was uncertain until the Board of MMC approved MMAL's decision to close the plant. This was done on the 5th February 2008, two and a half years after 380 production started. The decision was announced in a press release from MMC saying that its production facility in Australia was to be closed:

“Tokyo, February 5, 2008 — Mitsubishi Motors leaves its full-year net income forecast of 20 billion yen unchanged as it expects to make up extraordinary losses incurred through the closure of its production facility in Australia.”

(www.mitsubishi-motors.com/en/corporate/pressrelease/corporate/detail1726.html)

At the time of the announcement, official car sales figures showed that Australians had made an all-time record in purchasing new vehicles (business.smh.com.au/adelaide-plant-was-on-road-to-nowhere-20080205), however *“the demand in [...] the large car segment was deteriorating so quickly, the decay was so rapid”* (CEO, MMAL).

Commitments were many and complex

Before the final decision, MMAL had been looking at all possible alternatives and the impact on stakeholders: *“Well up until right at the end [...] we were looking at alternative opportunities for the plant [...] we had to consider a whole lot of things, all the stakeholders involved, our employees, the shareholders, the supplier network”* (CEO, MMAL). But as the company was operating at a \$100 - 120 million loss per year and the demand in the large car segment was decreasing, there were few other options.

Immediately after the announcement, media channels in South Australia went out with the information, which meant that the *“phones ran hot”* that day at the plant (General Manager, Supply Division). For example, ABC News pointed out that the local economy might be

influenced both directly, as workers at the plant would lose their jobs, and indirectly, as components suppliers would lose part of their business:

“The fall-out from the closure of Mitsubishi in Adelaide is starting to spread through the local economy. [...] It is the first of what is expected to be a wave of job losses to be felt in the components sector after Mitsubishi announced it would close its Tonsley Park plant – sacking more than 900 workers.” (www.abc.net.au/news/stories/2008/02/09/2158637.htm)

However, the closure decision did not come as a surprise for many of the stakeholders, as it had been rumoured on several occasions that MMAL was contemplating a closedown.

The last day of production at the Tonsley plant in Adelaide was set to coincide with the end of the Japanese fiscal year. This gave MMAL about seven weeks to finish production and start to deal with the 900 persons working at the plant. This was not seen as an easy issue, as expressed by one of the managers: *“I think everyone appreciates the trauma that job loss can cause. [...] it is legally just a termination of a contract or agreement, but morally I certainly believe that it’s not just simply a matter of walking away from our employees”* (Manager Corporate Affairs & HR). One way to deal with the traumatic situation was the official announcement made by the CEO of MMAL, saying that it was important that the employees at the Tonsley plant received help to find new work.

Another important issue to deal with was the 137 component suppliers that would not be able to recoup their investments, as production ceased several years earlier than planned. The suppliers were an important group to consider as there is an agreement within the car manufacturing industry that service parts be supplied for a minimum of 10 years. For Mitsubishi, this meant supplying spare parts for the 380 model until March 2018, as well as for all the previous Magna models. As the CEO expressed it: *“the 380 in a sense was easy in terms of numbers, but that wasn’t the issue – it was all the other cars that we’ve made here that we had to be able to provide service parts for.”*

The Supply Division at MMAL was assigned the specific project of negotiating with the suppliers. The senior management at MMAL and MMC set the budget for this work. Some of the negotiations were concerned with how to continue the supply of spare parts, so as to avoid holding 10-years of stock. In some cases this was not possible and so an all time buyout was negotiated, parts were stockpiled and the relationship was terminated.

The standard supply contract between MMAL and their suppliers was for 90 days. Since the period from announcement to close was less than two months, several suppliers already had more stock than required by MMAL. As a result, the negotiators from the Supply Division went to suppliers on the basis that they would need to re-pay suppliers for parts produced beyond the number required: *“we basically put it on the table of the suppliers to say [...] what you think that we owe you?”* (Manager OE & Aftersales Purchasing).

Learning by doing

The close down by Nissan of their car manufacturing plant in Melbourne in 1992 was the *“only recent reference point for the impact on an automotive company of a closure”* (CEO, MMAL). The fact that Nissan had lost more than 50% of its market share influenced MMAL’s planning during the pre-decision phase, which started in late 2007 when management saw that they would not be able to continue car manufacturing in Australia. As expressed by the CEO: *“as a management team we went into a serious planning phase to try to work out how we could get the company through this change whilst still protecting the Mitsubishi brand in Australia.”*

The planning was divided into three phases: pre-decision, decision and post-decision. The CEO continued, *“a local plant closedown [...] impacts every stakeholder [...], and it needs to be meticulously planned to ensure that all actions and communications are consistent and timely”*. The pre-decision communication was designed to *“keep employees informed of the actual status and issues facing the company”* (CEO, MMAL). The purpose was to reduce the degree of shock, if the closure decision were to be made. According to the CEO *“the pre-decision phase is the most difficult in terms of communications. [...] you don’t know if the decision to close the plant will ultimately be made”*.

A few key suppliers received warning of the closure before the public announcement on February 5. For example, the CEO of the company delivering cockpits for the 380 model was notified via a telephone call before the announcement. At that time, he was asked not to disclose anything. The information he received was that Mitsubishi was to end the production of the 380 model and accordingly close the Tonsley plant. He also received information that it was still under discussion whether it would take six months or a year to actually complete the closure.

The decision phase of planning started immediately after the MMC Board decision and after the CEO of MMAL made the official announcement at 3:45 pm on Tuesday February 5. The goal had been that the employees would be told in person before reading or hearing about the decision. However, the information about the decision made by MMC earlier that day had already been leaked to the media in Japan and through that, to the employees in Adelaide. After the local announcement all employees were sent home until the following Monday. This gave the management team five days to plan and finalize the details for the closure process.

Some years earlier MMAL had closed its engine manufacturing plant, also located in Adelaide. This meant that within the company there were some prior experiences of closing production and making employees redundant. The *“big lesson [...] learnt”* (Manager Corporate Affairs & HR) was that the company should co-ordinate all the contacts that people from the Federal and the State departments made with each of the employees regarding the redundancy programs they offered. However, this time, the closure was a more complex operation. When the engine manufacturing plant closed down there was nine months between the announcement and closure. This time there was only seven to eight weeks between the announcement and the proposed closure.

Immediately after the announcement, a letter was sent to the suppliers about the decision to close the plant and the reasons for that. Next, the operational managers in the Supply Division of MMAL made on-site visits to each of the Australian suppliers. At these meetings a PowerPoint presentation was used to inform the suppliers of MMAL’s intentions and to provide an initial indication of the process to be followed. After these first visits, the negotiation with each supplier began.

Emotionally, the process was hard for the people from the Supply Division that took part in the negotiations. People at the department had worked for a long time with a goal *“to build relationships and keep those partner type relationships working together”* (Manager OE & Aftersales Purchasing). Terminating the relationships meant that suddenly the suppliers had a different type of role, which meant that some *“didn’t care about anything anymore apart from getting their money from us”* (Manager OE & Aftersales Purchasing). However, the

atmosphere during the negotiations was characterised as professional: *“No screaming and yelling, because we were well prepared with all the facts, the data was there, the research was there. I think all the way along I would just describe it as very professional.”* (CEO Continental).

As this was a new situation for the Supply Division, they continued to improve their working methods at the same time as they were executing the negotiations with the suppliers: *“over the last 3 months [February, March, April 2008] [...] we have improved the way that we’re handling things and improved our documentation [...] it has been quite an evolutionary process”* (Manager OE & Aftersales Purchasing). They also faced another new situation during the negotiation process, as they continuously needed to seek advice from the company lawyers: *“that’s totally changed my world as well because we basically have to seek advice constantly from lawyers now.”* (Manager OE & Aftersales Purchasing)

The deadline for the closure of supplier relationships was set for the end of the year 2008. The management at the Supply Division saw this as an important goal as people involved at the Supply Division would leave for other jobs: *“We really definitely don’t want to go over Christmas [9 months after close], the sooner the better as far as we’re concerned. It’s not only for the company, but it’s also for the people, our people involved, they’ve got lives to go to”* (General Manager, Supply Division).

Epilogue

The close of the Adelaide plant does not appear to have influenced sales of MMAL imported cars. In 2008, sales of imported MMAL new cars increased by 5.4% on 2007 sales. Even in South Australia, where the impact of the plant closure was felt most strongly amongst workers and spare parts manufacturers, sales of Mitsubishi imported cars were not affected. In December 2009, the CEO of MMAL concluded that *“this will be an all-time record year for imported product for the company, [...] our market share is very strong. It will be the second best profit year in the company’s history”*.

Analysis

The case highlights distinctions between the goals of MMAL and the operational managers responsible for closing or re-negotiating contracts within their field of responsibility. These distinctions were not evident from the earlier literature review, and they seem to stem from the nesting of a business closure within a company restructure. The senior managers are observed to be managing two projects; the business closure and the redeployment of resources to MMAL’s car import business. Meanwhile, operational managers are concerned with business as normal and the business closure project. Given that the final managerial goals are within the broader restructure project, this explains the primacy of MMAL senior managers in driving key timing decisions and their ramifications across the unravelling of key commitments.

Limited experience of ending

In the Mitsubishi case, some experience of ending was gained when MMAL, some years earlier, closed their engine manufacturing plant. Experiences associated with this closure helped during the very short planning and closure period, especially with how to deal with employees. However, no one *“in this company [...] had ever gone through this closing down*

of quite a large organization” (Manager OE & Aftersales Purchasing). Thus, closing supplier relationships and renegotiating contracts due to the cessation of production was a new task for the operational management within the Supply Division. We see here that the upper management had some earlier experience of ending, whereas this was a new situation for the operational management.

Understanding commitments

As the case illustrates, many different types of commitment become important issues to consider. First, one form of commitment is to the employees that are about to lose their jobs. The upper management showed its commitment to staff by participating actively in different types of meetings with the staff, before the final decision as well as after the decision to close the plant was taken. For example, before the final decision *“meetings were backed up by regular plant walk-throughs where I [CEO, MMAL] and other members of the leadership team would spend more time one-on-one with employees”*. This was one way to try to avoid rumours from circulating.

Second, commitments to suppliers were a focus in the Mitsubishi case. As business relationships are built on a commitment to a joined future (Dwyer, Schurr & Oh, 1987, Morgan & Hunt, 1994, Van de Ven & Walker, 1984), closing a business means that the parties need to make new agreements regarding their future commitments. Usually a company’s on-going business relationships have multiple parallel and sequenced activities that are synchronized through time (see Araujo, Dubois & Gadde, 1999), but with different possible ending dates. For example, a company’s agreement concerning supply of steel can be on a 180 day delivery cycle, while the supply of paint could be on a monthly cycle. Thus, imposing a final ending date requires negotiations where timing of endings becomes a critical issue for the management, as some supplies are needed until the very end, while others need to be halted immediately.

To be able to succeed in the timing of different types of endings, the management needs to understand the character of the different commitments and to keep the right persons employed. For the upper management, it is a challenge to keep those employees that are critical for the business activities. Rarely are all employees required during the whole closure process. Rather employees leave or are re-deployed as their functions conclude. In the Mitsubishi case, there were still 1,000 cars left to build at the time of the closure announcement. Project management research indicates that there is a risk that performance will decline if team members do not know their next challenge (see Turner, 1999). This did not happen at the Mitsubishi plant, instead *“what actually happened was that build quality over the last seven weeks improved”* (CEO, MMAL). This indicates that many different commitments were managed well.

As the agreements within the car industry mean that a car manufacturer must supply spare parts for all produced cars for a minimum of 10 years, Mitsubishi would not be able to close all supplier relationships until 2018. This 10-year commitment to supply spare parts is a third type of commitment that is obvious in this case. Here we can see how the ‘shadow of the future’ (Axelrod, 1984) influenced the negotiations with the suppliers. Accordingly, the need for the 137 parts suppliers differed depending on the type of parts they supplied. Some of the supplier relationships were terminated and Mitsubishi made an “all-time-buy”, meaning that the supplier delivered all the needed spare parts and after that the business relationship was closed. One example of this type of relationship was the supplier of cockpits who expressed satisfaction with the deal: *“Then we can pack up the tools, pack up the line and never have to*

make it again. So that was a good outcome” (CEO Continental). Some of the suppliers, such as the logistics provider, continue to undertake operations for MMAL, but now only in the import business.

Understanding interdependencies

Earlier research shows that business relationships are connected to other business relationships and form business networks (see Håkansson and Snehota, 1995). Thus, what is done within one business relationship may influence directly and indirectly connected business relationships, such as customers’ customers and suppliers’ suppliers. In the Mitsubishi case, for instance one supplier manager expressed his understanding of the wider business network as follows: *“I think [...] that both companies have a bigger relationship than just South Australia. So a respectful process”* (Technical and Sales Manager, BSTG). Thus, the fact that the parties understood that they were a part of a wider context influenced the negotiation process in a positive way.

Another type of interdependence is illustrated in the case by the fact that specific individuals at the Supply Division got important and new roles during the ending process. If these individuals had left the company too early, important knowledge needed during the supplier negotiations would be lost. This suggests that organizational support and management of organizational resources takes on a heightened importance during business closure.

A third type of interdependence is one of the key issues during the closure process, namely the reputation of the company and its brand. The risk to MMAL was that the future business of imported cars, which already represented over 80% of sales (VFACTS Service), would be damaged. We see here evidence that how the company dealt with its employees as well as its spare parts suppliers influenced its reputation among future car buyers.

Timing of ending

The case illustrates that timing was an important issue that the upper management needed to consider. One type of timing was concerned with when to inform employees. On the one hand employees needed to have pre-decision information, and on the other hand, it was difficult to inform before the decision to close was made. The CEO explained this problematic situation as follows: *“Firstly, you don’t know if the decision to close the plant will ultimately be made. However, while any reasonable risk exists, you cannot afford to be too optimistic, as this could be construed as misleading the employees if a closure eventually does happen. On the other hand, you can’t afford to be too pessimistic, as it deteriorates morale.”*

Timing of the business closure was only one of the many timing issues that the upper management needed to consider. Other important timing issues were: When to make employees redundant? Who would be needed after the closure and for what period of time? Which supplier relationships could be closed and when? Which were needed until 2018? Timing is one of the key issues faced by upper management in a business closure. It also illustrates that upper management is needed to coordinate the different endings.

Individual and collective ending-competence

The case highlights that upper management and the operational management each held a different understanding of ending-competence. Each manager in each area sees the task of closure from their own perspective and brings to the task their own past experience, knowledge of company commitments and how these are interrelated.

Also noteworthy was the level of organisational support provided by MMC and MMAL to the ending process. MMC provided a one-off capital injection to fund the closure. MMAL senior managers were not only cognizant of their responsibility to employees; they also coordinated an organizational response to support the individual managers who had to continue to run the manufacturing process while also closing down supply relationships. The senior managers orchestrated personnel and resources so that stakeholders of all kinds accepted the closure as a “*celebration*” of a great enterprise or at the least “*no-one was left with a complaint against Mitsubishi*” (Manager Corporate Affairs & HR).

Next, we turn to the discussion of the conceptual model of ending-competence in business closure.

The conceptual model of ending-competence

Ending-competence is conceptualized as a multi-level construct across a firm’s hierarchical structure (Figure 1). Theory indicates that *earlier experiences* of ending, understanding of different types of *commitments* and the *interdependence* between them are important during a business closure. The case also shows that these three elements became central when the Mitsubishi car manufacturing plant in Adelaide was closed. However, the case also clearly shows the different roles of upper and operational management during the closure process regarding *coordination* and *timing*.

INSERT FIGURE 1

The first element in the model is comprised of prior experiences that provide lessons to improve business closure. Through experience in closure, their own and other employees, managers learn of the interdependencies between commitments and the way closure leads to changed levels of commitment. This knowledge is different to that normally gained by managers as they develop and build a business through making commitments. The processes of breaking and changing commitments are not simply the reverse of building commitment. Past experience in business closure provides managers with an understanding of how commitments change and timing are interrelated. This knowledge allows upper management to foresee issues in a closure; issues that would become apparent too late for a manager schooled in growing businesses.

The second element, understanding the different types of commitment, is another critical issue during a closure process. Both company-internal commitments, such as those to employees, and company-external commitments, such as supplier and customer relationships, require consideration. This element points to the need to understand variety among the commitments. As it is not a question of business as usual, it is critical to understand the character of the commitments. Being successful in managing this variety requires keeping those individuals who have the key knowledge of commitments and how they can be re-shaped. For example, in the Mitsubishi case, it was the Supply Division who took care of the negotiations with all 137 suppliers. Thus, understanding of commitments by both upper and operational management is needed.

The third element, an understanding of interdependencies between the commitments, points to the need to recognize how the company-internal and company-external commitments are interdependent. For example, if individuals with key knowledge leave the company too early, this may influence the ending process vis-à-vis suppliers and customers. One of the intriguing elements of the MMAL's business restructuring process seems to be the way people were supported through the process, so ensuring that individuals were committed to a quality closure. This also illustrates the different, but interdependent roles of upper and operational managers.

Finally, upper management has responsibility for coordination and timing of the business closure. Timing is generally imparted by the goal/s of a broader organization or project/s. In this case the timing revolved around the end of financial year for MMC. With timing given, upper management moves into coordination and timing of the many different types of endings, such as manufacture, supply, employment and customer endings, as well as managing public relations issues with society and government bodies.

Managerial implications

In a globalizing and increasingly competitive economy understanding business-restructuring processes is a necessary managerial skill. Often managing a business closure is a necessary part of business restructure. A successful business closure allows reallocation of resources, including managerial time, and allows new strategies to be developed, with continuing support from other companies and institutions. Thus, large organizations need to develop and maintain knowledge and skills in ending.

Developing ending-competence in business closure should be a part of a large organization's risk management practice. The conceptual model of ending-competence developed in this paper provides a basis for companies to assess their ending-competence. The assessment requires four steps that might be best undertaken as part of an annual risk audit. The first step is an assessment of managers' knowledge with endings at every level so as to capture past experience. A strategic approach is to record the history of a business closure or any project endings in a human resource system, along with the functional tools, such as spreadsheets and project management schedules.

The second step is an assessment of who in the firm has knowledge of specific commitments and the underlying technicalities that shape commitments. What is the nature of resource flows? What is the lead-time? Which resources are particular and specific to organizational requirements and which are capable of diversion to other firms? Once the technical understanding of commitments is complete, the assessment must move onto the nature of the business relationship. Is the other party important for learning and adaptation of resources? Does the other party provide flexibility and security of resource flow? Do managers spend significant time negotiating and organizing with the other party? These activities signify a business relationship of strategic importance, one that deserves care and respect in closing.

The third step is to understand the interdependencies between commitments. There is an order of commitments, with relatively larger commitments of resources supporting lesser commitments. For example, the company's investments in capital equipment and employees represent highly important commitments. Next are the relationships with suppliers and customers, which are essential to maintaining the resource and product flows. However,

amongst the commitments to business relationships there are many intricate interdependencies, especially when considering the supplier's suppliers and customer's customers. Generalizing, however, complex commitments that develop over a longer period of time will require greater effort and care to arrange closure.

Finally, upper level managers should assess the time-order of commitments in a closure situation. There is necessarily a partial reversal of commitment order in a business closure. For example, complex commitments developed over a longer period will require early warning of the imminent closure and a longer period to arrive at closure. Conversely, low order commitments can hear of the closure through the media and then receive an electronic message, with eventual closure quickly completed at a time suitable to both parties. However, the time-order of commitments is not simply a reversal of building a business. While it is true to say that larger commitments take longer to unwind so that their associated closure activities will influence the critical path to final closure, other less critical commitments are more flexible within the same time line. However, the nature of the business relationship will also impinge on timing, because trusting relationships allow more flexible opportunities in timing.

Future Research

The basis of conceptual development of ending-competence in this paper was limited to past research in project management, business relationship ending and the knowledge management literature as well as one business closure case study of a large and complex manufacturing plant. Although past research was of some help in aiding conceptual development, the key elements discerned were well represented in the case study, and so the method allowed establishment of an ending-competence construct. However, there is a need to study ending-competence in other types of business closure situations and industries to further develop the conceptual model. For example, with other theoretical insights in different situations, a range of other elements may be included in the ending-competence construct.

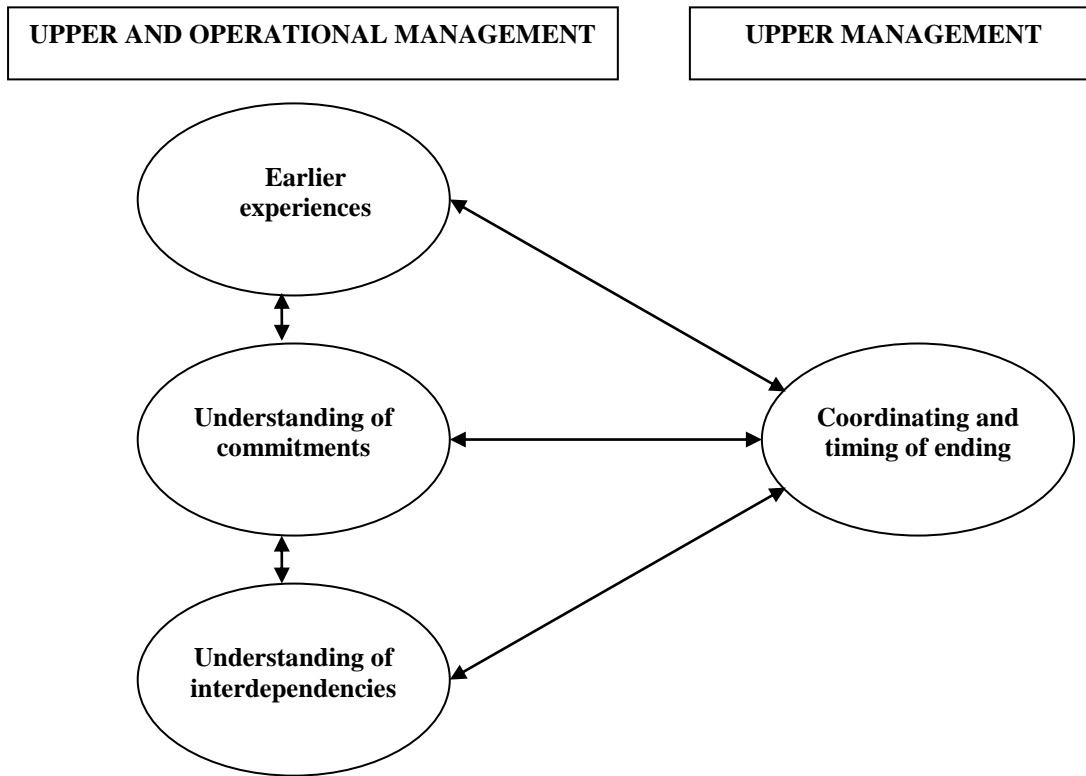
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Figure 1: Conceptual model of ending-competence in business closure

ENDING-COMPETENCE



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