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Earned Value – A Leading Indicator of Clean Governance?
by Dr Paul D. Giammalvo
Second Edition

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Dr. Paul Giammalvo

As a long-time resident of Indonesia, with extensive experience throughout South and Eastern Asia, the question of corruption and "leakage" in Project funding has long been of prime interest to me. For many years, I have been beating the drums, advocating for adoption of Earned Value Management by various NGO's and multi and bi-lateral funding agencies in particular as one of the ways to at least make the leakage of funds more difficult and if leakage does occur, make it easier for audits to uncover where the money went.

While I had long believed that Earned Value Management (and its alter ego, Activity Based Costing) were synonymous with "clean" project management, it was difficult to make any clear connection.

In the process of researching material for a course on Earned Value Management for Marcus Evans and other clients in SE Asia, I happened across a map produced by Transparency International (TI) which showed, through color coding, those countries perceived to be to most corrupt, going from lightest (least corrupt) to darkest, (most corrupt). http://www.transparency.org/policy_research/surveys_indices/cpi/2006

When I identified those countries who have FORMALLY ADOPTED Earned Value as a Government Policy, and marked them on the TI produced map, it became very apparent that preliminary evidence exists supporting the theory that perhaps a relationship exists between a country being PERCEIVED as not being corrupt and the adoption by that country of Earned Value Management. (See Figure 1)

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[1] Editor's note: Second Editions are previously published papers that have continued relevance in today's project management world, or which were originally published in conference proceedings or in a language other than English. Original publication acknowledged; authors retain copyright. This paper was originally published in PM World Today in April 2007. It is republished here with author's consent.

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Figure 1- Countries Formally Adopting Earned Value Management Compared to TI's Corruption Index

As you can see, only the lighter colored countries (perceived to be "clean" have adopted Earned Value. This proved so interesting that I contacted Wayne Abba ("Mr. Earned Value") and asked what other countries are in the process of adopting Earned Value, just to see if the apparent correlation between earned value and the perception of a country as not being corrupt remained.

On February 18th of this year, Wayne replied "*Re your tie to the corruption index, I like it. It makes the point as it is. Should you want to include more countries that have expressed interest in EVM – not necessarily thru government but thru introduction by professional organizations such as AACE, IPMA, PMI – you could include Turkey, Brazil, Portugal, India, Norway… and mention that influence via contracting extends to France, Italy, Spain, Israel, Germany – much of that from Australian leadership, Australia having a small indigenous industrial base and having to contract overseas for much of its defense needs.*"

Taking Wayne's advice, Figure 2 shows those countries (in red call out boxes) who have adopted or are in the early stages of adopting EVM, if not formally with government backing, it being "forced" on them through the global contracting practices, especially of Australia, through their defense contracting policies.

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Figure 2- Other countries supporting or recognizing Earned Value Management. (Red Call Outs)

While it appears most of the top quartile of "cleanest" nations have adopted or at least recognize EVM, it will be very interesting to see if:

1) Those countries who are NOT in the top quartile move up in ranking as a result of recognizing Earned Value and;

2) Countries who traditionally top the TI Transparency Index-
    a. Finland
    b. Iceland
    c. New Zealand
    d. Denmark
    e. Singapore
    f. Sweden
    g. Switzerland
Will join in adopting Earned Value Management.
http://www.transparency.org/policy_research/surveys_indices/cpi/2006

From my perspective living and working in several developing nations in South and Eastern Asia, I have long been advocating that the NGO's, multi- and bi-lateral lending agencies also embrace Earned Value Management. Following the "Golden Rule" (She who has the gold, makes the rules) I believe the key to implementing EVM lies with those

who control the initial funding- governments, multi- and bi-lateral lending agencies but equally important in today's world of public-private partnerships- multi-national and trans global companies.

The ADB recognized EVM as early as 1988, (*Handbook on Management of Project Implementation, Arthur D. Little, 1988, Asian Development Bank*) and the World Bank claims to have adopted it (face to face discussions with Dr. Andrew Steer, past country director for Indonesia and several of his key staff) but I have seen no empirical evidence supporting that claim. More recently, USAID has recognized EVM for their own internal projects, but not yet for the projects they are funding.
http://www.usaid.gov/our_work/economic_growth_and_trade/info_technology/tech_series/EVM_508.pdf
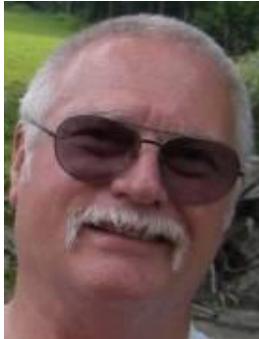
To the Asian Development Bank and USAID especially, given both organizations have recognized the value of Earned Value Management, I would urge you to develop and implement some pilot projects in the developing nations using EVM the way it was designed and intended to be implemented, and I am skeptical that EVM alone can or will stop corruption and the leakage of funds, that it will at least make it more difficult for the funds to be misappropriated and if they are, a combination of EVM and Activity Based Costing, correctly implemented, will certainly help the auditors in finding where the money was stolen, which is the first step towards recovering it.

To conclude, for academics interested in this as a possible research topic, studying the correlation between the use of Earned Value Management and the real or perceived corruption in a country should prove very interesting. For the multi-national companies especially, "leading by example" in implementing EVM for your projects will be a good way to start demonstrating that corruption can be controlled.

References

1.   http://www.transparency.org/policy_research/surveys_indices/cpi/2006
2.   *Handbook on Management of Project Implementation, Arthur D. Little, 1988, Asian Development Bank*
3.   http://www.usaid.gov/our_work/economic_growth_and_trade/info_technology/tech_series/EVM_508.pdf

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For 25+ years, he has been providing Project Management training and consulting throughout South and Eastern Asia, the Middle East and Europe. He is also active in the Global Project Management Community, serving as an Advocate for and on behalf of the global practitioner. He does so by playing an active professional role in the Association for the Advancement of Cost Engineering International, (AACE); Construction Specifications Institute (CSI) and the Construction Management Association of America, (CMAA). He previously served on the Board of Directors of the American Society for the Advancement of Project Management (asapm) http://www.asapm.org/ and served previously as the Chair of the Certification Board of the Green Project Management organization. http://www.greenprojectmanagement.org/ He is active as a regional leader and a compensated consultant to the Planning Planet's Guild of Project Controls. http://www.planningplanet.com/guild

He has spent 18 of the last 45 years working on large, highly complex international projects, including such prestigious projects as the Alyeska Pipeline and the Distant Early Warning Site (DEW Line) upgrades in Alaska. Most recently, he worked as a Senior Project Cost and Scheduling Consultant for Caltex Minas Field in Sumatra and Project Manager for the Taman Rasuna Apartment Complex for Bakrie Brothers in Jakarta. His current client list includes AT&T, Ericsson, Nokia, Lucent, General Motors, Siemens, Chevron, Conoco-Philips, BP, Dames and Moore, SNC Lavalin, Freeport McMoran, Petronas, Pertamina, UN Projects Office, World Bank Institute and many other Fortune 500 companies and NGO organizations.

Dr. Giammalvo holds an undergraduate degree in Construction Management, a Master of Science in Project Management through the George Washington University and a PhD in Project and Program Management through the Institute Superieur De Gestion Industrielle (ISGI) and Ecole Superieure De Commerce De Lille (ESC-Lille- now SKEMA School of Management) under the supervision of Dr. Christophe Bredillet, CCE, IPMA A Level. "Dr. PDG" can be contacted at pauldgphd@gmail.com.