

LETTER TO THE EDITOR

26 December 2019

On the Subject of Earned Value

Ref: PMWJ article by Dr. Ken Smith titled “ADDING VALUE TO EARNED VALUE: The PISA P (PI) Chart for Monitoring Project Implementation.”

Dear Editor

As a follow up to Dr. Ken Smith’s article in the December edition of the PM World Journal entitled “ADDING VALUE TO EARNED VALUE: The PISA P (PI) Chart for Monitoring Project Implementation,” <https://pmworldjournal.com/article/adding-value-to-earned-value>, as another of the “old-time” earned value subject matter experts, I wanted to elaborate and expand on what my esteemed friend and professional colleague published and show how those of us in the private sector, “hard money” (firm fixed price) construction market have been using this same weekly or monthly SPI and CPI information as the basis to validate these three quality metrics that apply to both our cost and time estimates:

- 1) Accuracy- How close the actual time or costs are vs. what was estimated or budgeted.
- 2) Reliability- How good are the numbers to use as the basis to forecast.
- 3) Precision- How closely grouped are the readings to the baseline time/cost estimates.

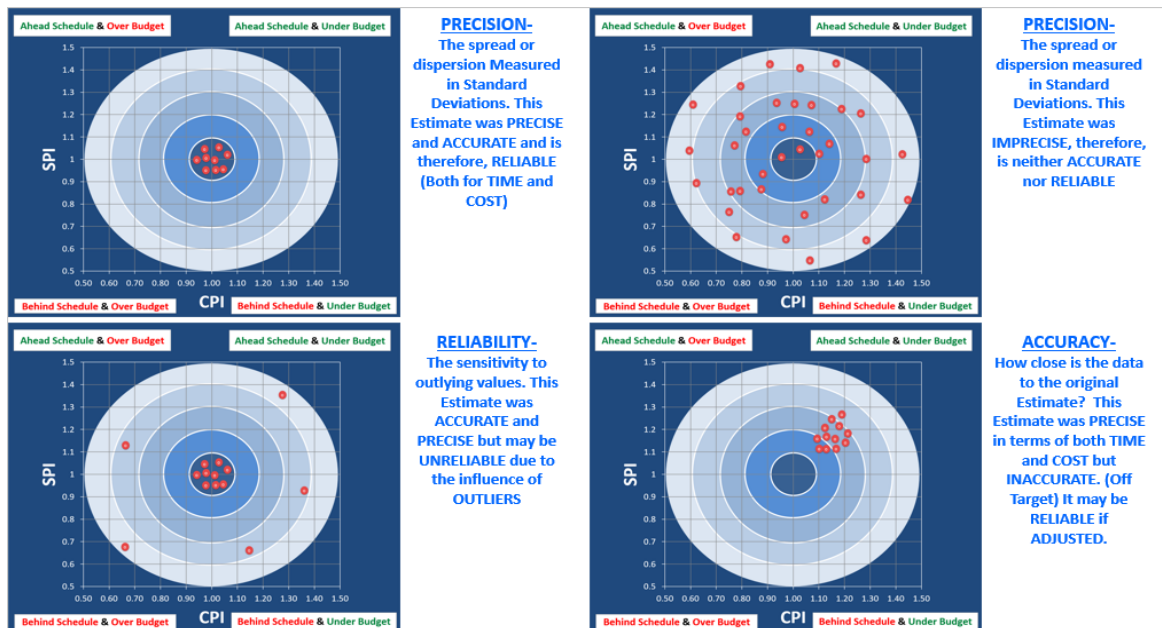


Figure 1- Giammalvo, Paul D Course Materials as published in the Guild of Project Controls Compendium Figure 9 <http://www.planningplanet.com/guild/gpccar/assessing-interpreting-progress-data>

As it seems there are fewer of us around who have actually used earned value on projects where our own money was on the line if the projects “succeed” or “fail,” it is important to try to convince PMI, AACE and other professional societies to follow the lead of the Guild of Project Controls and not only show how the US DoD and other government agencies use earned value but also how the private sector has been using earned value since it evolved from the factory floors of the 17th and 18th Century industrial revolution as an “incentive” or “pay for performance” scheme, as documented in Halbert Powers Gillette, Richard Turner Dana’s 1909 book “Cost Keeping and Management Engineering: A Treatise for Engineers, Contractors and Superintendents Engaged in the Management of Engineering Construction”

[https://books.google.co.id/books?redir\\_esc=y&id=zO-ADudj-R8C&focus](https://books.google.co.id/books?redir_esc=y&id=zO-ADudj-R8C&focus)

With PMI rewriting their PMBOK Guide 7<sup>th</sup> Edition, now is a good time for both PMI and AACE (and any other professional society advocating the use of earned value) to conduct the research necessary to accurately portray the evolution of Earned Value not only how the US and other governments use it, but more importantly, how the private sector uses it.

## Earned Value is NOT COMPLICATED...

Reference Hadist from Baihaqi & Ibnu Majah-

*“Promptly pay your labor/employee worker salary before his sweat is dry, and tell them how much they will paid while they are working”.*

Farid Malone, CCP- <https://is.gd/bTxIFv>

Yasmine Taybi- <https://is.gd/icVua6>



Fair Market Competition



Select “Best Value” For Money



Test For Quality



Measure Quantity Taken/ Received



Pay **PROMPTLY** Only For what You Got

Figure 2- Giammalvo, Paul D Course Materials as published in the Guild of Project Controls Compendium <http://www.planningplanet.com/guild/gpccar/introduction-to-managing-project-progress> Figure 7

Keeping in mind that the private sector uses Earned Value not only on cost-plus but also firm-fixed-price contracts and on contracts of almost every size, and knowing and understanding that contractors “live or die” by our cash flows and given that most contractors are working on single-digit EBIT margins, owners need to understand that the very essence of earned value is to link PERFORMANCE to PROMPT PAYMENT. This connection has largely been lost along the

way and with more countries passing “prompt payment” laws, PMI, AACE et al. need to incorporate this into their “bodies of knowledge” as savvy owners who understand this can exploit it to their benefit, which is why we in the private sector call this “Doggy Biscuit” project management.

## Earned Value originated as an INCENTIVE COMPENSATION SYSTEM...

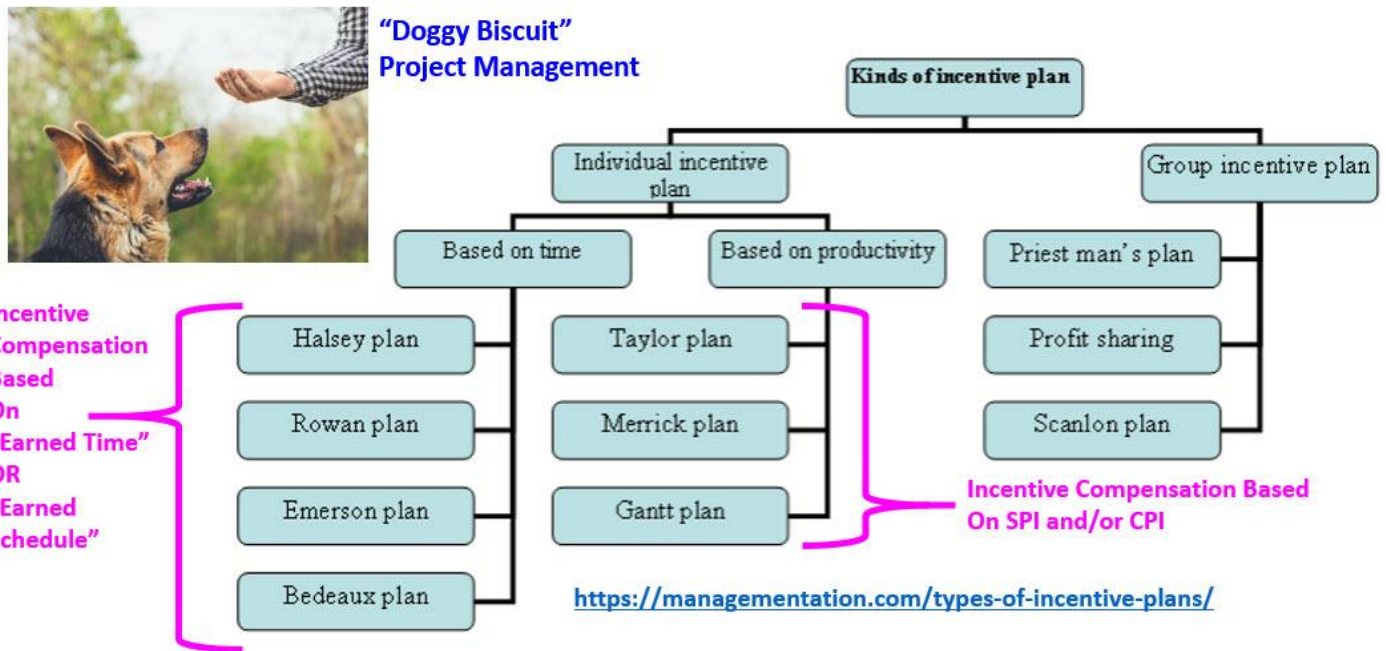


Figure 3- Giammalvo, Paul D Course Materials

Figure 3 explains in more detail how Gillette and Dana’s work combined with the work of other researchers has developed several incentive payment schemes based on either the principle of “earned time” or “earned schedule” (no PMI, it was NOT Walt Lipske or the US Air Force that “discovered” earned time!!!)

For more on this topic, see these recent papers on the History of Earned Value going back to the Old Testament.

- 1) Ms. Yasmine Taybi- <https://is.gd/xcRG3F>
- 2) Ms. Sophie Geneste- <https://is.gd/PiIJAc>
- 3) Ms. Bertille Hu- <https://is.gd/Vku2uG>

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