

The Bigger Picture: Project Life Cycles from a Broader, Real-World Perspective ¹

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Why the typical “Agilista Model” is an INCOMPLETE and MISLEADING CONSTRUCT

There is no shortage of credible evidence that “project management” is not working in so many sectors.



Figure 1- Summary of Results from [KPMG, IPMA AIPM Sponsored Research](#)

So how much longer are we willing to tolerate self-proclaimed “subject matter experts” spreading blatantly false or misleading “models” that look pretty on paper but fail to reflect the reality underlying SUCCESSFUL projects? Models, that fail to comply with the [5 Attributes of the Scientific Method](#)?

- 1) Empirical,
- 2) Replicable,
- 3) Provisional,
- 4) Objective and
- 5) Systematic.

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Using these 5 criteria as the STANDARD of PRACTICE allow me to challenge this common “model” that seems to be appearing in many articles written by “Agilistas”, and then you can make up your own minds as to whose “model” is “best” or “better.”

Compare what is shown in Figure 2 to what you see in Figure 3, which is derived from a methodology first developed by either Esso or Diamond Shamrock Oil around 1955 and attesting to the fact that it WORKS, is still in use today by all the Major International and nearly all National Oil companies, including those working in Australia and throughout SE Asia, Middle East and the rest of the world.

Compare what is shown in Figure 2, which we know is NOT working, vs. what we see in Figure 3, which we know has worked for the past 65 years. Compare what is shown in Figure 3 to what the agilist community is trying to convince the people of Australia to use? (The actual graphic shown in Figure 3 is a compilation from Chevron and Zadc0 Oil) Which one is the more complete model? Which one reflects REALITY more closely? Which one has 65 years of FINANCIAL SUCCESS supporting it?

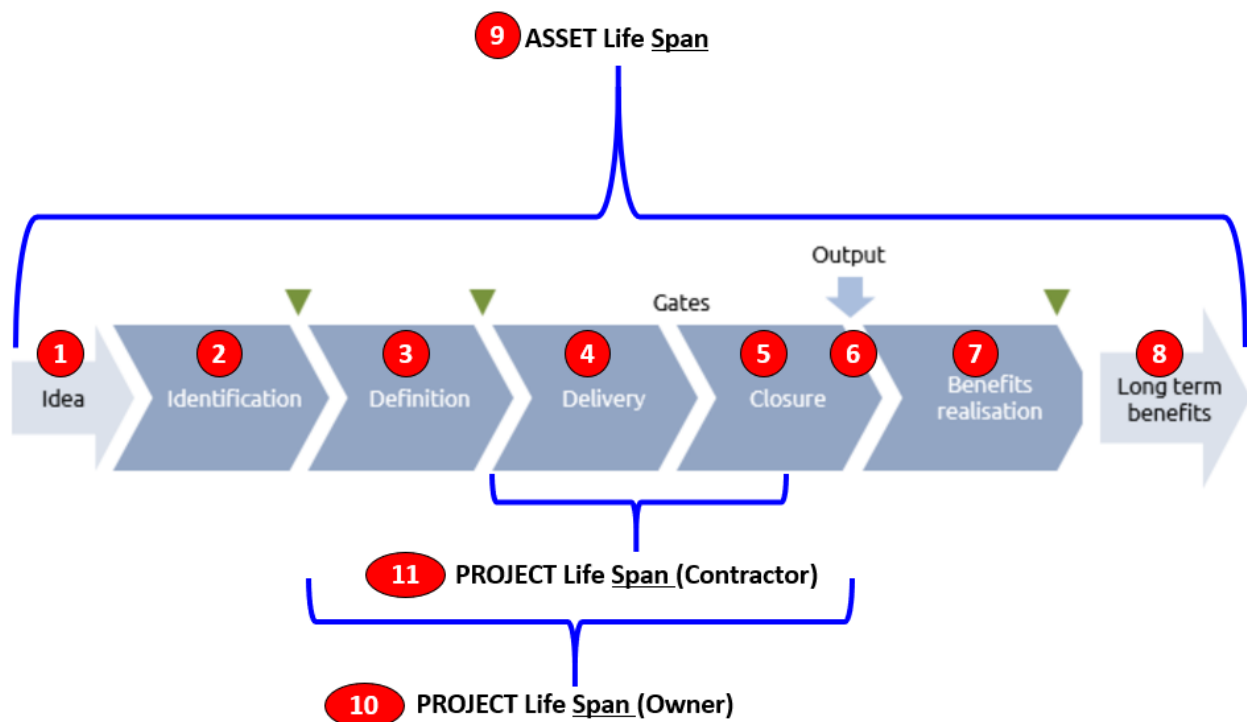


Figure 2- Typical Agilist Model as published in AIPM’s Community Blog “[Why articles on project management methodologies get it so wrong](#)” by Adrian Dooley.

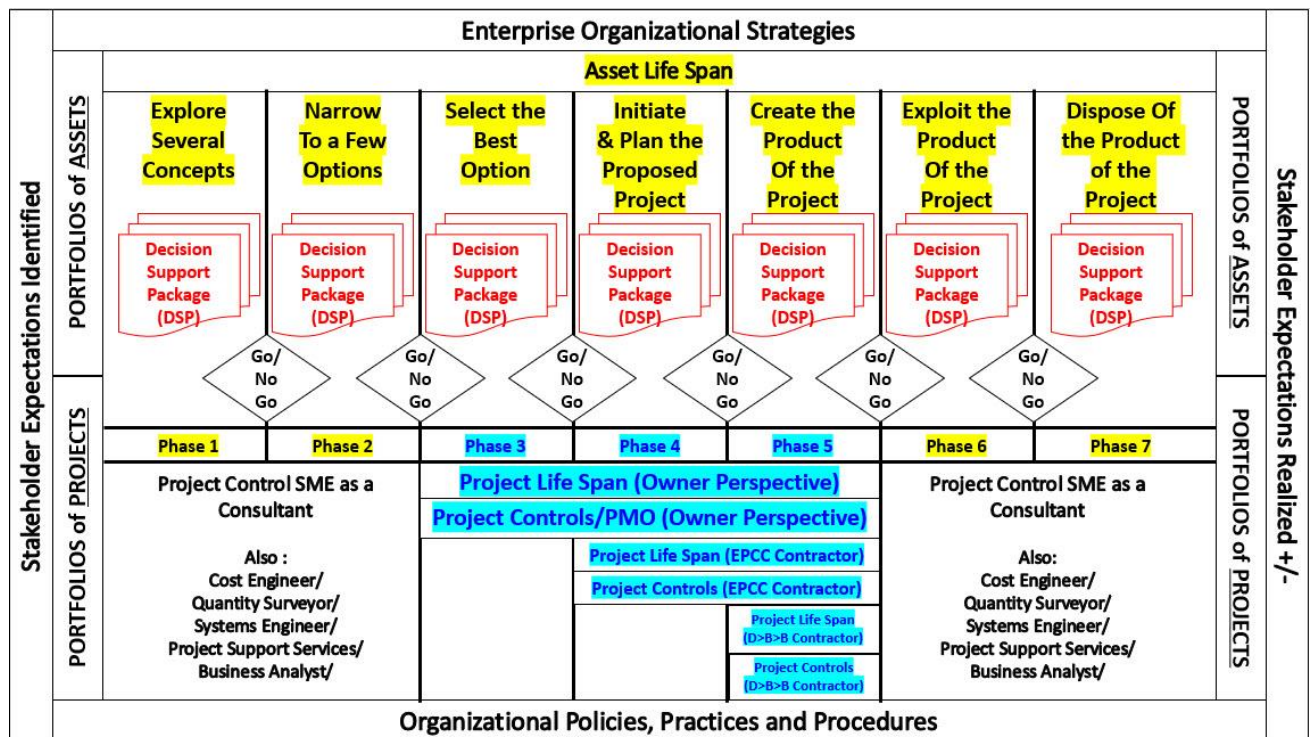


Figure 3- Integrated Asset, Portfolio, Program and Project Management Methodology circa 1955.

- (1) As we can see in Figure 2, a project does NOT start with an idea, as many Agilistas are telling us. A project ALWAYS starts (or at least SHOULD always start) with either a PROBLEM TO BE SOLVED or an OPPORTUNITY TO BE EXPLOITED.² PERHAPS one of the reasons so many projects fail is that they are being initiated based on ill-conceived and poorly thought-out IDEAS rather than on a proper business case or needs analysis?

² Logical Framework Approach

Also worth noting is that what is being shown is NOT the PROJECT life span but the INTEGRATION of the ASSET LIFE SPAN and the PROJECT LIFE SPAN. The reality is that projects are nothing more than one of several ASSET DELIVERY SYSTEMS any organization can choose from to “create, acquire, upgrade, expand, repair, maintain and eventually dispose of ORGANIZATIONAL ASSETS. While this probably will not make organizations like PMI, IPMA, or APM/APMG very happy, the reality is that the universe does NOT revolve around the project manager as the “star” of the show but revolves around the ASSET and OPERATIONS managers in their roles as PROJECT SPONSORS who are responsible for making all the STRATEGIC decisions. In many owner organizations, project managers are not even empowered to make TACTICAL decisions. Figure 4 originated with R. Max Wideman around the mid-1980s, and everyone can check to see if it isn’t just as valid today as it was 40 years ago?

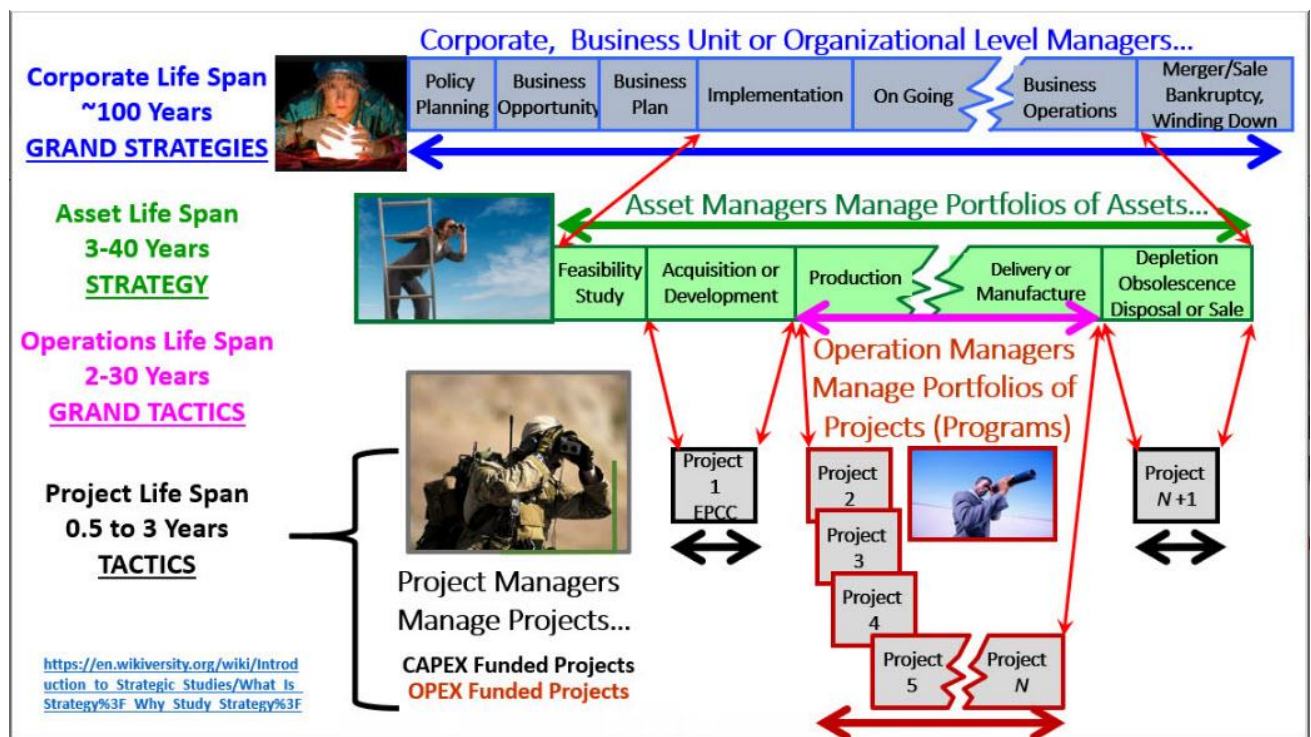


Figure 4- Time Horizons and Levels of Strategic Authority of the “Four Actors”

Check to see who makes what decisions in YOUR organization and see if what you see in Figure 4 is or is not accurate. At BEST, project managers may (or may NOT) have INPUT into the strategic decision-making process. Still, we don’t know of any organization that has empowered its project managers to make strategic decisions. In fact, many cannot even make TACTICAL decisions without approval from some “steering committee.”

- (2) Keeping in mind that what is shown in Figure 3 has been working for 65+ years now, prior to Phase 3, there IS NO PROJECT. There is only the exploring of POSSIBLE or POTENTIAL solutions to the problem or the best way(s) to exploit the opportunities, the model as shown does not address this crucial issue. Another point that The article implies but does not give enough emphasis to is what should be contained in each of

these “Phase Gate Decision Support Packages.” How can the decision-makers (who are usually either Asset or Operations managers in their roles as project SPONSORS) possibly make a sound business decision without FACTS?

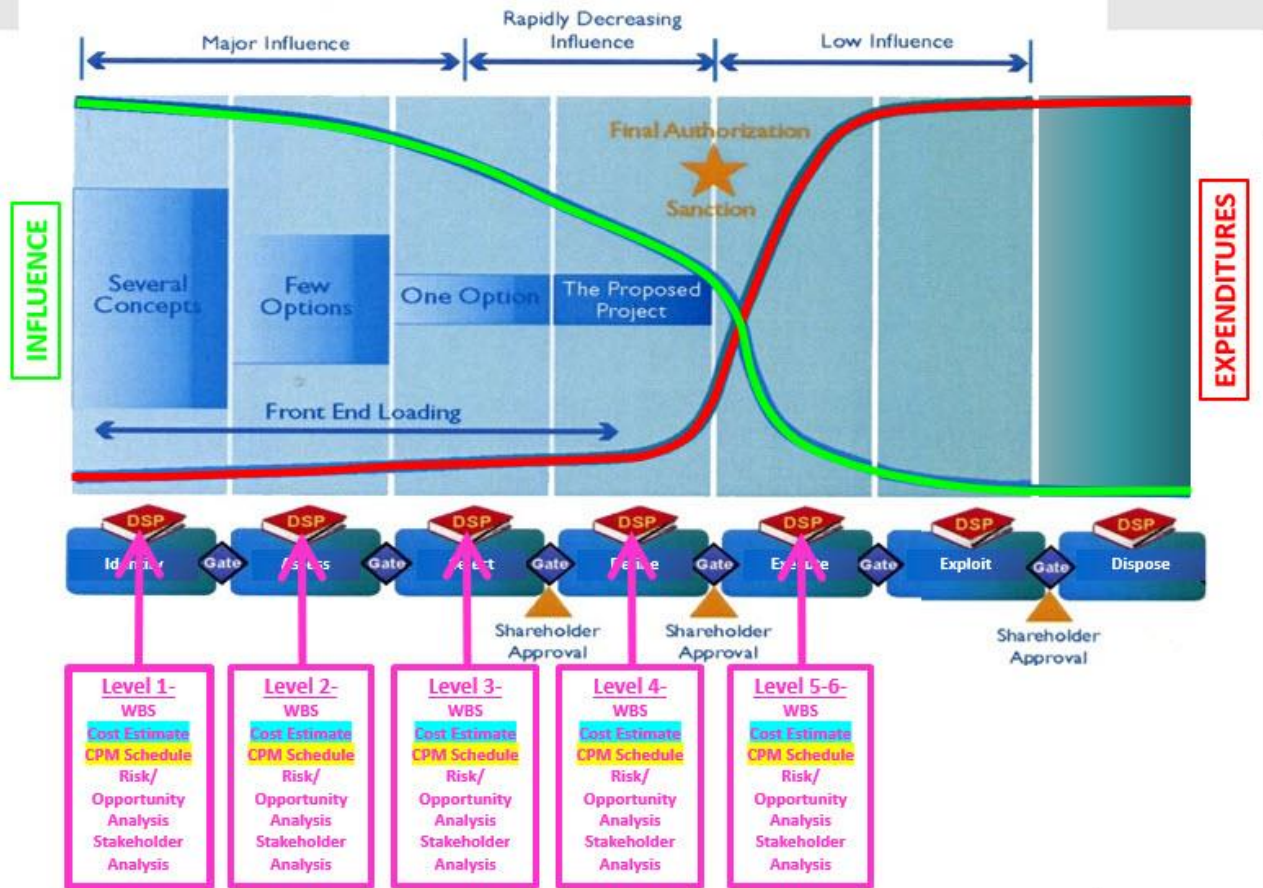


Figure 5- Decision Support Package (DSP) Information ([MacLeamy, Paulson or Boehm Curve](#))

Notice in Figure 5 (which was copied from the original Zadco Oil website from about five years back) that this is NOT the PROJECT life span but covers the entire ASSET LIFE SPAN? In this model, PROJECTS are not even identified as part of the process until Phase Gates #4 and #5? That of the 7 Phases of the Asset Life Span, only 2 of them involve PROJECTS?

Also, in Figure 5, we can see a list of the MINIMUM items that each DSP should contain. Notice how the model as shown largely glosses over this CRITICAL detail? Compare what this typical “agile” “methodology” advocates vs. what is shown in Figure 5?

- (3) Comparing the “Definition” Phase to the Esso/Diamond Shamrock Model, Phase 3 is when we have narrowed down the SOLUTION TO THE PROBLEM or the STRATEGIES and TACTICS to EXPLOIT AN OPPORTUNITY to a SINGLE OPTION. Only at the end of Phase 3 do we formally seek out Shareholder Approval to FUND the project, which even then may or may NOT happen. (Keep in mind this is a REAL process map from Zadco Oil, not some theoretical construct, and that this is the same process map followed by all the major oil and gas companies for 65+ years now)

- (4) If the project is to be done “In House,” this is where an internal project manager would be appointed, a project charter issued, and a project team formed. If the project were going to be OUTSOURCED, depending on the contracting type, the owner would either hire their own Engineers and do their own procurement or, more often, outsource the entire package using an Engineer, Procure, Construct and Commission (EPCC) or Design-Build contract. If the owner hired their own engineers and did their procurement, then they would outsource the construction only using a Design>Bid>Build where the contractor built only what the owner designed.
- (5) What this typically “Agile Model” or “Methodology” fails to show is that for an OWNER, the project does not and cannot generate ANY “benefits.” For an owner, a PROJECT is an INVESTMENT or COST Center, where cash flows OUT of the company into the hands of the Consultants and Contractors. In exchange, the CONTRACTORS are creating an ASSET for the owner. This is the part that our IT colleagues, in particular, seem to have a hard time grasping, and that is that projects create ASSETS, and it is the ASSET that either saves money or increases revenues. As contractors “initiate, plan, execute, control and close” projects as PROFIT CENTERS, the ASSET that contractors generate is primarily in the form of profits, although they also can gain Intangible Assets (reputation) and perhaps build their Knowledge Assets.

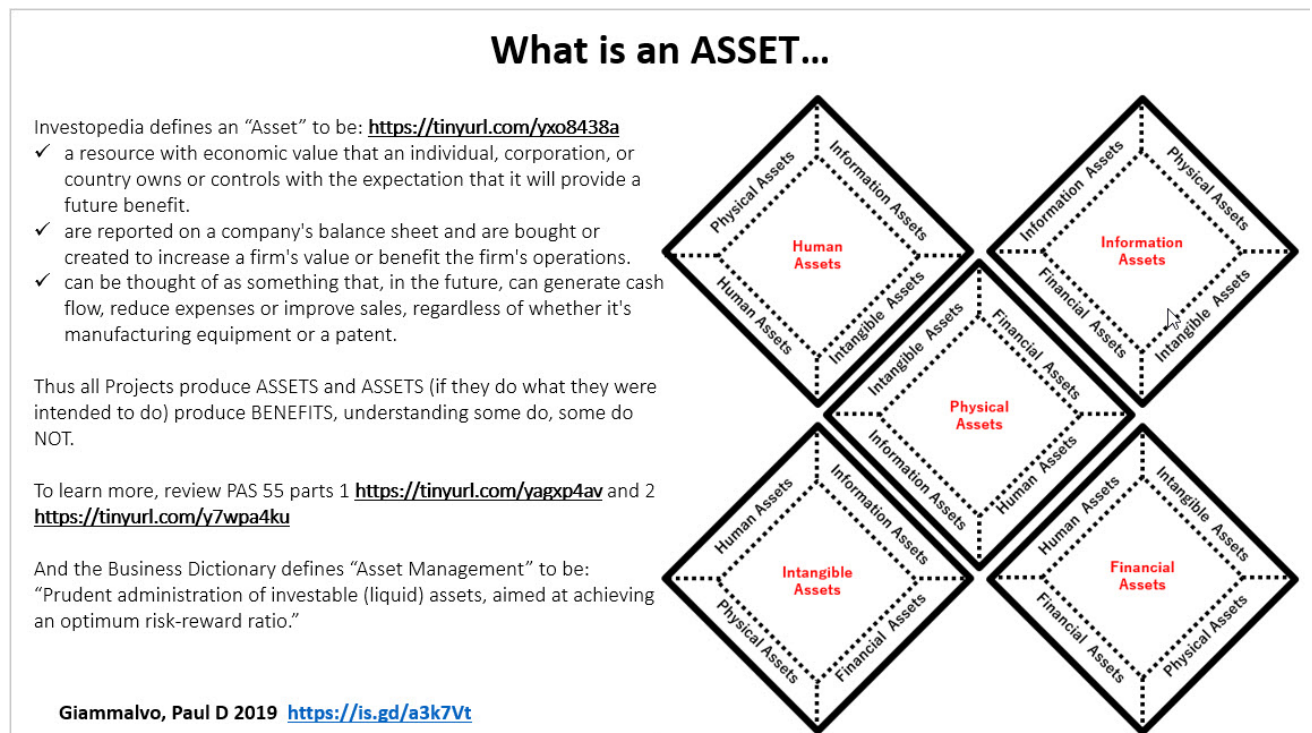


Figure 6- Definition of an Asset

Figure 6 explains how or why not everyone understands the principle that projects are nothing more than “asset delivery systems.” Especially our IT colleagues often fail to realize that SOFTWARE is treated as a long-term asset, no different than the land, factory, or equipment. Explained another way, for an OWNER organization, “project management” is NOT a core competency. For OWNERS, their core competency is ASSET MANAGEMENT. As projects are PROFIT CENTERS for CONTRACTORS, that is what they build their CORE COMPETENCIES and BUSINESS MODELS around. Until we can get the world of IT to realize this REALITY, we are never going to put an end to the never-ending arguments about “agile vs. waterfall,” as the only important aspect is whether you are looking at the project as a PROFIT CENTER (Contractor) or a COST or INVESTMENT CENTER (Owner)

- (6) This is another big problem with this Agile model. By not recognizing that the project OUTPUT produces an ASSET and it is the ASSET that may or may not eventually “generate benefits,” they are totally ignoring the real business case, not only for the owner but also for the contractor. This graphic is what “project management as an asset delivery system” is all about, and so many people, especially those who identify as “agilistas,” clearly have no understanding.

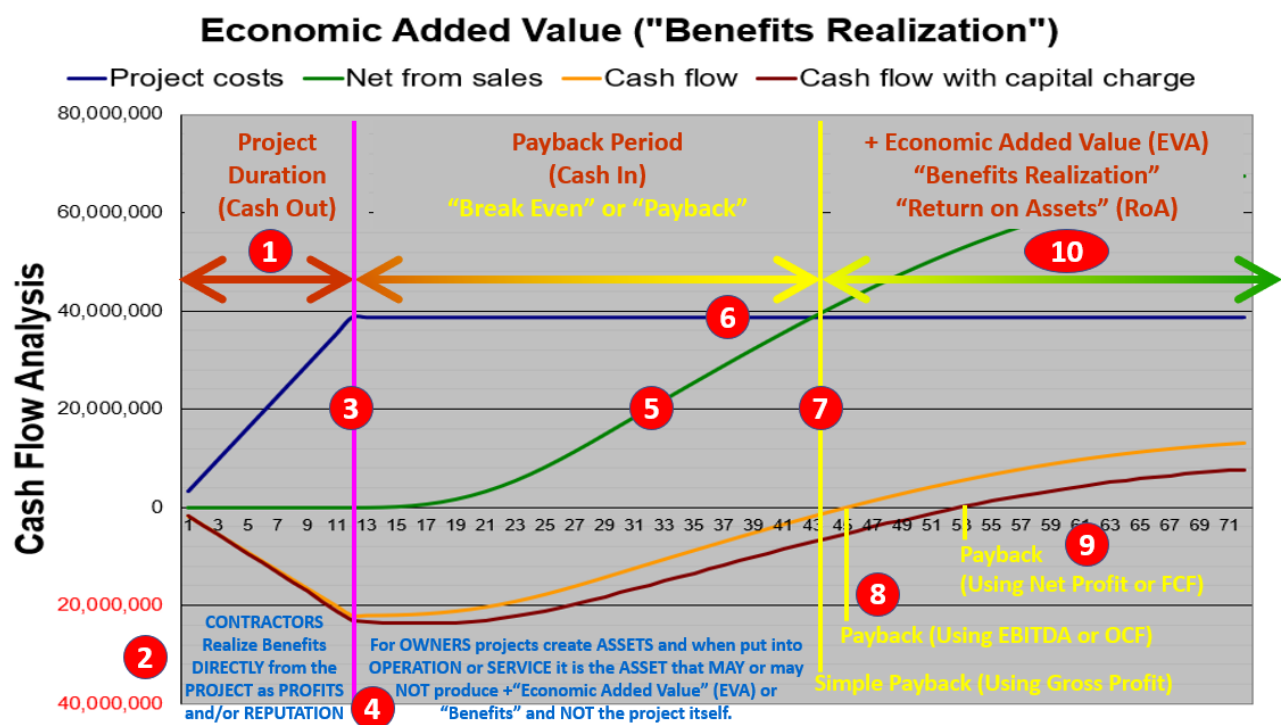


Figure 7- The REAL or COMPLETE “BENEFITS REALIZATION” Model

Figure 7 originated with [Dennis J. Cohen](#) and [Robert J. Graham](#) “[The Project Manager's MBA: How to Translate Project Decisions into Business Success 1st Edition](#)” way back in 2000, and unfortunately, as they failed to explain it very clearly, they never really got the coverage and exposure it should have which has resulted in far too many Agilistas not fully understanding or appreciating it either.

(7.1) As noted previously, for an OWNER ORGANIZATION, projects are COST or INVESTMENT centers, meaning the owner is paying money to the CONTRACTOR (or their own internal people if the project is done in-house) to create an ASSET that will either SOLVE A PROBLEM or EXPLOIT AN OPPORTUNITY.

(7.2) As noted previously, for a CONTRACTOR, a project is a PROFIT center, and the ASSETS projects generate for CONTRACTORS are PROFITS and possibly Intangible Assets such as reputation or knowledge using proprietary methods.

(7.3) At the completion of the PROJECT, (#6 from Figure 2 above) the ASSET the project created is turned OVER to the ASSET or OPERATIONS managers who SPONSORED and FUNDED the project using either CAPEX or OPEX budgeting process. That marks the point where the PROJECT ends, and the ASSET takes over. Explained another way, what I have labeled as #7 in Figure 2 above, should be broken down into two parts “Payback Period” and “Benefits Realization,” Understanding that not all ASSETS end up paying back their investment costs, software being one of them.

(7.4) As soon as the ASSET is accepted by the SPONSOR, it is put in service and starts to either SAVE MONEY or GENERATE REVENUES. At the same time, the ASSET is being AMORTIZED and DEPRECIATED.

(7.5) As the savings or revenues attributable to the asset accumulate, they are recorded by finance or accounting until they have paid back the original investment. This is the toughest part of this, especially with software to determine how much money they actually save or revenues they generate, but the accounting profession has developed formulas and methods they use to do this.

(7.6) At the point where the revenues or savings attributable to the asset exactly equal the investment, we have reached **(7.7)** “Payback” or “Break-Even.” This is an important milestone as up to now; the ASSET had NOT YET made the organization “more valuable,” which is the true definition of “Benefits Realization” or what those in Finance call “Economic Value Added.” This brings up an important topic about the hubris of project managers and the organizations that purport to represent them, feel they have to INVENT new terms for everything rather than doing the research necessary to find out what other sectors are using for terminology. Because project management is primarily a BUSINESS function, we recommend using Investopedia or any credible BUSINESS DICTIONARY and not relying on generic dictionaries or, worse yet, dictionaries from project management societies.

(7.8) While simple payback, which is based on the Cost of the Project/GROSS PROFIT (Sales or Savings – Direct Costs), it is recommended that we use the more conservative formula (Total Cost of the Project/(EBITDA or Operational Cash Flows)

or the even more conservative **(7.9)** (Total Cost of the Project/(Net Profit or Free Cash Flows)

(7.10) It is only AFTER we have reached break-even or payback using the last formula can we honestly claim that the Asset is making the organization MORE VALUABLE because we undertook a PROJECT to create an ASSET to SOLVE A PROBLEM or EXPLOIT AN OPPORTUNITY. And not all projects even reach break-even, especially in the world of IT. This also means that there MAY or MAY NOT be any correlation, much less CAUSAL RELATIONSHIP between the “success” or “failure” of the PROJECT and the “success” or “failure” of the ASSET the project created; the best example of this being the Sydney Opera House.

- (8)** From a PROJECT perspective, the Sydney Opera House was an unmitigated DISASTER- late, over budget, quality problems, yet it has now become part of the iconic image of Sydney, along with the bridge? This is why the Esso/Diamond Shamrock model works from a BUSINESS CASE perspective. Whether oil, gas, mining, or other extraction projects finish over budget or not really doesn’t matter as the real determinants of the success or failure have little to do with cost (or even time) but with safety and the market price of commodities. That may or may not be true for other sectors but for those who claim the oil and gas model doesn’t work are not looking at what determines “success.”

		The PRODUCT of the Project (the ASSET created by the PROJECT)	
		Succeeds	Fails
The PROJECT Undertaken to “create, acquire, upgrade, repair, maintain, expand and eventually dispose of ORGANIZATIONAL ASSETS”	Succeeds	Project Succeeds Product of the Project Succeeds	Project Succeeds Product of the Project Fails
	Fails	Project Fails Product of the project Succeeds	Project Fails Product of the Project Fails

Figure 8- Project vs. Asset Success Matrix

(9) (10) and (11)

Now just for fun, take a look at Figure 9 and then compare it against what you see in Figures 3 and 5 above. And then, take a look at the 30+ definitions of “Project” from [Max Wideman’s Dictionary of Project management Terms](#). While I am well aware that the standard dictionaries treat life SPAN and Life CYCLE as being synonymous, which of these two definitions most CORRECTLY or COMPLETELY or HONESTLY communicate what you see in Figures 3 and 5?

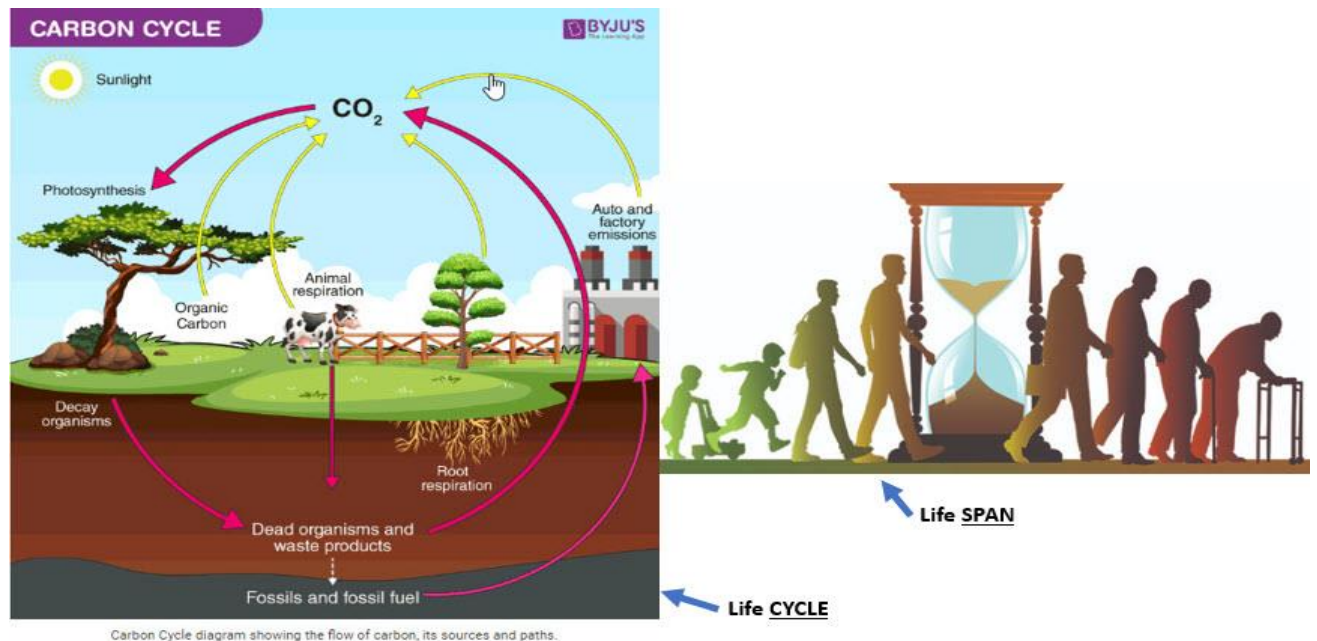


Figure 9- Life CYCLE vs. Life SPAN

Which term is more linguistically or grammatically correct when talking about the life of a PROJECT or the life of an ASSET? How important do you think it is that, given we live in a multi-lingual world, we have a professional obligation to be as precise as possible in trying to communicate clearly?

Conclusions and Recommendations:

While I agree totally with the title of this paper, I have to say IMPO, those who believe or are advocating this mode are just as guilty of presenting a highly biased and factually incomplete view as many others have. (Not to mention citing Wikipedia as a credible source in support of your definitions - why not use Investopedia instead as being more appropriate to "Projects as Cost or Investment Centers"?)

With 6000+ years of history behind us in construction, entertainment, medicine, and new product development, how much longer is it going to take before we follow our own advice and go back and look at "Lessons Learned" and surely we will find out that whatever we are facing, that someone before us has faced the same problem and come up with a solution that we can or should be able to adapt for use in different sectors? The key is to find those "best in class" practices (like how the medical professionals in operating theaters and commercial pilots use checklists?) and then ADOPT them or ADAPT them for our own use? While Praxis is very well organized and nicely set up, the CONTENT is IMPO, no better than what PMI has been advocating, which PMI has at least finally admitted to.

This is especially true of our IT colleagues, who have just discovered the “[Scientific Method](#)” that since the 12th Century has brought humans hundreds of thousands of new products and services, and somehow have managed to mess it up by making it over-complicated by adding too much “touchy-feely” stuff and not enough focus on the five attributes? And for our PMI colleagues, IF you are going to base the PMBOK Guide 7th Edition around PRINCIPLES, why not just adopt the [5 Attributes of the Scientific Method](#)? What was it Einstein told us about “Keeping things as simple as possible, but no simpler.”

About the Author



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Dr. Paul D. Giammalvo, CDT, CCE (#1240), MScPM, MRICS, is a Senior Technical Advisor (Project Management) to PT Mitratata Citragraha. (PTMC), Jakarta, Indonesia. www.build-project-management-competency.com. He is noted for the development and delivery of graduate level, blended learning curricula designed for the mid-career path, English as Second Language (ESL) professionals to develop competency in the local practitioner and build capacity for the local organizations. For 25+ years, he has been developing and delivering Project Management training and consulting throughout South and Eastern Asia Pacific, the Middle East, West Africa, and Europe.

He is also active in the Global Project Management Community, by playing a “thought leadership” role for the Association for the Advancement of Cost Engineering International, (AACEI) <http://www.aacei.org/> since 1991; He has also been active in two IPMA member organizations: The Green Project Management Association (GPM) <http://www.greenprojectmanagement.org/> where he served on the Certification Board of Directors for two years and the American Society for the Advancement of Project Management <http://www.asapm.org/> for which he served for four years on the BoD as Director of Marketing. He also sat on the Board of Directors of the Global Alliance for Project Performance Standards (GAPPS), www.globalpmstandards.org, Sydney, Australia and is active as a regional leader. Currently, he is a compensated consultant to the International Guild of Project Controls.

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<http://www.planningplanet.com/guild/certification>

He has spent 35 of the last 50 years working on large, highly technical international projects, including such prestigious projects as the Alyeska Pipeline and the Distant Early Warning Site (DEW Line), upgrades in Alaska and the Negev Airbase Constructors, Ovda, Israel and the Minas Oil Field in Rumbai, Sumatra. His current client list includes Fortune 500 major telecommunications, oil, gas and mining companies plus the UN Projects Office and many other multi-national companies, NGO organizations and Indonesian Government Agencies.

In addition to 45+ years of hands-on field experience, Dr. Giammalvo holds an undergraduate degree in Construction Management, his Master of Science in Project Management through the George Washington University and was awarded his PhD in Project and Program Management through the Institute Supérieur De Gestion Industrielle (ISGI) and Ecole Supérieure De Commerce De Lille (ESC-Lille) under the supervision of Professor Christophe Bredillet. “Dr. PDG” can be contacted at pauldgphd@gmail.com.

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