

On the Subject of Earned Value Management and some recently cited examples¹

LETTER TO THE EDITOR

28 April 2023

Ref: Giammalvo, P. D. (2023). Applied Earned Value Management Based on “Cost Engineering Principles”- With Practical Case Studies for Validation Purposes, *PM World Journal*, Vol. XII, Issue IV, April. <https://peworldjournal.com/wp-content/uploads/2023/04/pmwj128-Apr2023-Giammalvo-Applied-Earned-Value-Management-based-on-Cost-Engineering-Principles.pdf>

Dear David,

I would like to add the following comments on some of the ideas in the article by Dr Paul Giammalvo (Dr PDG) on Earned Value Management (EVM) in the April edition of *PM World Journal*:

The first issue that he addresses is the existing resistance to the wider adoption of EVM. As he has shown in the multiple references he provides, the foundational concepts of scientific management and “payment for performance” predate the development of EVM which was formalised in 1967. The goal of EVM to provide a standardized, objective, action-oriented measure of progress towards well-specified results critical to the success of a project. However, although the techniques and algorithms of EVM can provide the necessary information, there are two major operational challenges to its use. The first challenge requires avoiding excessive administrative overheads, so that the people involved can generate and analyze the relevant data efficiently. The second challenge, as Dr PDG shows in his introduction², is to ensure that this analysis is action-oriented and that the corresponding actions can be carried out whatever the political pressures.

One strength and weakness of EVM is that it requires the existence of a formalized project planning process including such artifacts as a detailed list of tasks with their dates, resource lists and budgetary information. The adoption of EVM therefore has the positive result that it ensures the existence of a broad, effective project management framework in the organization. As such, therefore, as I explain next, two of the three “experiments” that Dr PDG describes in his article cannot be characterized as valid examples of EVM.

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² “Program leaders need to stop the bleeding and redirect budget resources when EVM analysis shows that progress is too slow, too expensive, and fails to meet performance goals or provide timely, reliable information.

Experiment 1 provides no means of tracking project performance based on time or cost. As such, therefore, there is no means of evaluating any of the standard EVM parameters. Dr PDG also states: “I cannot see how using EVM enables us to track BENEFIT REALIZATION”. He is of course right, since this is not an objective of EVM. This is the reason for which I developed a complementary technique which I have named “Earned Benefits-Value Management” (EBVM). EBVM is designed to be used in conjunction with EVM to provide a set of performance management tools for complete management of benefits realization³.

Experiment 2 describes an ongoing operational environment rather than a running project and, for this reason, is unsuited for EVM. I found it confusing that the well-defined names of EVM parameters were reassigned to very different quantities. For example, EV (aka “budgetary cost of work performed”) was used to measure weekly revenue equivalent of extracted gold⁴. Weekly *revenue* is, of course, very different from a “budgetary cost”.

By contrast, experiment 3 is a valid EVM example and describes a project that is aimed at obtaining a degree. The budgetary costs are the cost for each module. The addition of a schedule indicating when each module will be studied can be a valuable tool for anyone hoping to follow this course and succeed in obtaining the qualification.

I think it is fair to say that, although both experiment 1 and experiment 2 do show applied common sense in that they track progress with respect to objectives, they are not relevant for showing the practical benefits of adopting the full capabilities of formal Earned Value Management.

With best regards,

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³ Piney, C. (2019). Benefits for Projects: Adding a benefits dimension to the Earned Value Method, Series on Applying Earned Benefit Management, *PM World Journal*, Vol. VIII, Issue III (April).

⁴ A definite example of a benefit!