

***Project Business Management*^{1,2}**

You Want to “Go Agile”? Think Twice—Balance Matters!

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“Non-stupid people always underestimate the damaging power of stupid individuals.”,
*Carlo M. Cipolla: The 4th Basic Law of Stupidity.*³



Summary

Methods – such as people and organizations – have limitations in what they can achieve at a given time. These limitations have two major elements: Firstly, the fundamental boundaries of their mental, physical, financial, and methodical assets, and secondly, the imbalances of resources assigned. Unawareness or ignorance of these limitations can impact internal projects and – even more – cross-corporate project business.

¹ This is an article in a series by Oliver Lehmann, author of the book “[Project Business Management](#)” (ISBN 9781138197503), published by Auerbach / Taylor & Francis. See full author profile at the end of this article. A list of the other articles in PM World Journal can be found at <https://pmworldlibrary.net/authors/oliver-f-lehmann>.

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³ (Cipolla, 1976)

An Observation

Last week, I observed two car drivers running into an altercation caused by a minor misunderstanding. Nobody was hurt, nothing had gotten damaged. It was just anger by both parties escalating in less than a minute. Both drivers had left their cars to confront each other, becoming increasingly heated and noisy. They could instead have said “Sorry” and moved on, saving themselves a lot of time and distress, but their focus was on the confrontation in open public. Clenched fists and reddened knuckles gave the impression that a physical confrontation was imminent, but I was happy to note that they just stopped short from brawling. After about five minutes, the quarrel was over. Each driver got back into their car and drove away, but their faces showed that they were still angry, and I assumed that it would take them a long time to get their testosterone and adrenaline levels back to normal and calm down again.

Humans cannot be angry and empathetic at the same time.

In this article, I want to dig deeper into this effect and what it means for Project Business Management.

What is Project Business?⁴

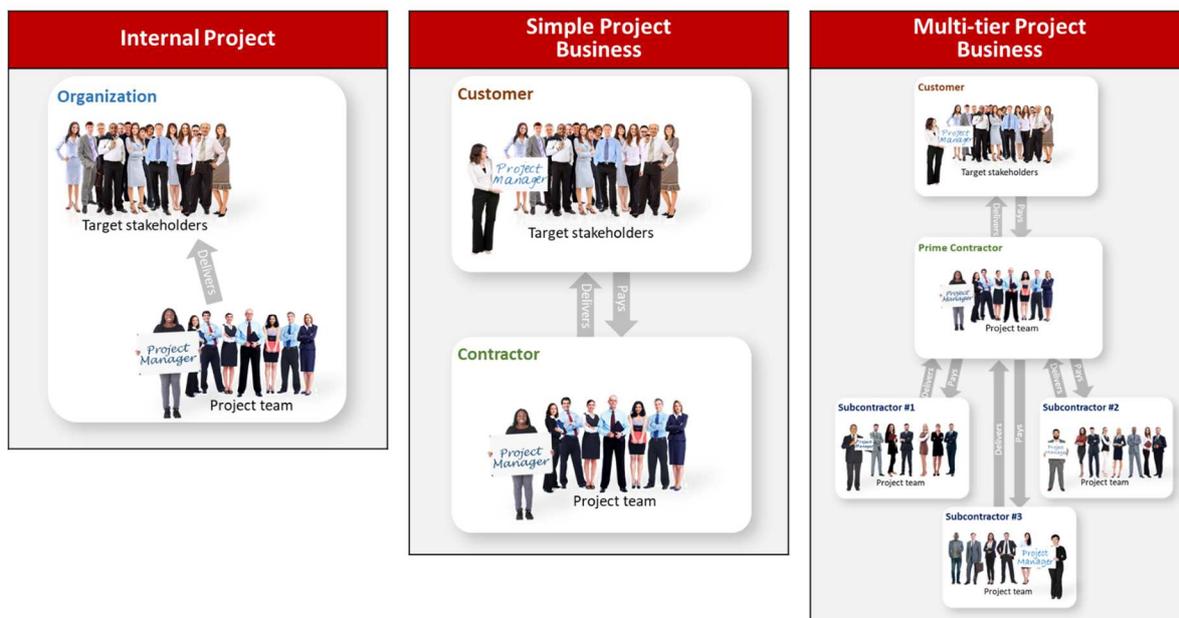


Figure 1: In contrast to internal projects, where the target stakeholders of the project and its performing team are located in the same organization, Project Business is cross-corporate with two or more—often many more—organizations involved.

⁴ This section is a repetition from previous series articles.

Project Business takes place when two or more organizations do a project together as customers and contractors. In Project Business, the project is no longer solely there to support a business. It is the business.

Project Business is different from internal, cross-functional projects. In a simple scenario, there may be just two organizations involved: A customer and a contractor. In mega-projects, such as big infrastructure, aerospace and defense programs, or even Olympic games, there may be hundreds of organizations working together towards a common goal. Typically, these organizations build complex and dynamic multi-tier project supply networks, and for most of them, the project is not a cost center; it is a customer project—a profit center. It must bring money home and safeguard the organization’s credit line.

Many companies rely on project business as their sole source of income. As contractors, they sell project services and products against payment. Others include customer projects as a component in their proposition packages: They sell hardware, software, or ongoing services, and the project to implement these on the customer side is part of their success formula for the paying customer.

The high art of Project Business is forging the different organizations together and making them follow a common mission: The successful completion of the project. Ideally, contract parties become project partners teaming up for the benefit of each of them and for the smile on everyone’s face when they have achieved a desired and distinguished result together, a result that one organization alone could not have achieved.

In real life, this art is rarely found. Project Business is too often burdened with incompatible business interests, poor communications, quarreling, and finger-pointing:

- Customers find it hard to ensure they receive the services and deliveries they ordered and for which they are prepared to pay.
- Contractors struggle to reconcile their three main objectives: Happy customers, appealing margins, and a sustainable cash flow for the organization. Often, making the customer happy requires extensive outlays in the form of work and money, and it is indeed not rare that a contractor can no longer afford these outlays and slips into illiquidity even in an otherwise profitable customer project.

When one asks project managers what they perceive as a trend, more internal projects or project business, an overwhelming majority respond that it’s Project Business.

Project Business is not a fringe topic of project management—it’s a big, global trend across all industries.⁵

⁵ (Project Business Foundation, 2021)

When Parties in Project Business Turn Irrational

As said above, Humans cannot be angry and empathetic at the same time.

I repeatedly witnessed situations similar to the street altercation in Project Business: Two or more organizations may run into conflicts about their business interests, organizational incompatibilities, interpersonal discordancy, or other causes of controversies.⁶ At one point, the parties make it personal, they lose the ability to see the situation through the other party’s eyes, and making the relationship fruitful and working again gets harder and harder.

But, why is it so hard for people in an angry mood to stay empathetic and search for solutions?

When people are furious, it becomes challenging for them to remain empathetic and search for solutions due to a combination of psychological, physiological, and cognitive factors:

- **Emotional Arousal:** Anger is a high-arousal emotion that can trigger the body's “fight or flight” response, a physiological reaction leading to increased heart rate, blood pressure, and adrenaline levels. This heightened state of arousal can narrow an individual's focus, making it harder to see things from another person's perspective or to think about complex, nuanced solutions.
- **Cognitive Narrowing:** Anger tends to focus a person's attention on the source of their anger, often at the expense of other information. This cognitive narrowing can reduce the ability to consider alternative viewpoints or solutions, as the person is preoccupied with the perceived threat or injustice.
- **Impaired Executive Function:** The executive functions of the brain, which are responsible for planning, reasoning, and problem-solving, can be impaired when emotions are intense. Anger can disrupt these cognitive processes, making it difficult for individuals to evaluate situations rationally, consider the long-term consequences of their actions, or generate effective solutions.
- **Empathy Reduction:** Anger can reduce empathy by making it more challenging to understand or share the feelings of others. When angry, individuals are more likely to attribute negative intentions to others and to view their actions in a more negative light, which can further hinder empathetic responses and cooperative problem-solving.
- **Confirmation Bias:** In an angry state, people are more prone to confirmation bias, where they selectively pay attention to information that confirms their beliefs or emotions while looking away when contradictory evidence emerges. This bias can

⁶ (Project Business Foundation, 2022)

reinforce the anger, making it harder to adopt an empathetic viewpoint or consider alternative solutions that might defuse the situation.

- **Communication Breakdown:** Anger can lead to aggressive communication and confrontational behavior, which can escalate conflicts rather than resolve them. In such an environment, it becomes difficult for all parties to listen to each other, express empathy, or work collaboratively towards a solution.

In the end, it comes down to matters of assets and resources that I will discuss in the following sections:

The Link between Assets and Resources

An essential aspect of project management is turning organizational assets into project resources.

Many project managers and field scholars use these terms with a traditional and narrow meaning, including only three kinds of assets/resources:⁷

- People
- Equipment
- Material

In this article, I use the term in a wider sense, including many more tangible and intangible elements, such as:

- Monetary funding
- Real estate
- Skills, know-how, and other forms of explicit and tacit knowledge
- The ability of a group of people to act as a team whose members help each other
- Attention – in particular, management attention
- Intellectual property such as patents, trademarks, and copyrights

⁷ An example is the Guide to the Project Management Body of Knowledge (PMI, 2021), which, since the 6th Edition, talks about two categories of resources, human and physical, the latter putting together equipment and material. Another example is project management software such as Microsoft Project, which uses the categories “Work” (combining humans and equipment) and materials.

- The will to succeed

Indeed, management attention is the most critical asset/resource of all: A project manager with management attention may still find a shortage of the other resources here and there, but for his/her colleague who has to do the project without management attention, the shortage is assured. To complicate things even more, management attention is, in many organizations, the scarcest resource of all, and both operations and projects compete for it

In this widened understanding, everything can be an asset and resource that is available in limited quantities and must, therefore, be actively managed.

The words “Assets” and “Resources” look at essentially the same things but in a delicately different context:

- **Assets** are owned by an individual or organization, who may use them for their projects or keep them unused as reserves.
- **Resources** are at the individual’s or organization’s disposal. Resources may come from own assets or utilize assets of other organizations.



Figure 2: Assets & resources

In this understanding, Project Business means tapping into the assets of other parties, commonly contractors or customers, and turning them into project resources. What kind of assets may that be? They commonly include:

- For the customer:
 - Free HR capacity,
 - Know-how and skills,
 - Infrastructure,
 - Equipment,

- Motivation and team spirit,
- Management attention.
- For the contractor
 - Fundings provided by the customer to do the project, cover risks, and allow for a margin from the project,
 - Provisions and enabling services arranged for by the customer.

The Limitations of Mental Assets

Intellectual assets of humans are limited. Whatever we do, whether it is day-dreaming or responding to a challenging task, it burns calories and can make us feel exhausted after a while.⁸ The origin of this physical response to mental activities lies in how the brain functions.

Of course, some people have more assets available than others and are more intelligent, which may come in the form of them being more empathetic, better able to resolve challenges, or being better at conning and hoodwinking.

But this is only one aspect of how effective we are when we deal with problems ahead of us.

The brain is a vital organ that requires a significant amount of energy to function properly. Despite occupying only about 2 percent of our body weight, it consumes a whopping 20 percent of the energy our bodies burn while at rest.⁹ This high energy consumption is due to the brain's constant activity in regulating all bodily functions, such as breathing, circulation, and digestion, as well as performing complex cognitive tasks such as thinking, analyzing, and problem-solving.

The initial example of the quarreling car drivers is a common example of this limitation:

- Developing empathy is a challenging task for a brain. Figuratively, a person has to step out of his or her shoes and put on those of another person. Instead of sensing the world through the person's own eyes, he or she must consider what things look like through the eyes of another person.
- In the given situation, this conflicts with the body's “fight or flight” response to the encounter, which focuses physical and mental resources on the challenge of a punch-up or an attempt to escape danger. These resources are then no longer available to develop calmness and empathy.

⁸ (Bruckmaier et al., 2023)

⁹ (George, 2024)

The same occurs when organizations run into business conflicts. Loyalty with the employer forces employees to take sides, and the equivalent of a brawl or running away is the possible lawsuit, whose outcome may be damaging to the employer’s bank account and creditworthiness, which may directly impact the employee’s income. The dynamics of individual and organizational learning are often indistinguishable.¹⁰

This raises three questions when we work with people either as individuals or as organizations with whom we have a contract to do project work against payment:

- How much do we know about their limitations regarding their assets, including skillsets, capacity, and readiness, to do certain tasks?
- How well are we aware of what part of these assets they are able and prepared to put into the joint project?
- Assets can be enriched or impoverished. What tendency can we expect from the project?

Now, let me discuss another observation: What holds true for individuals and organizations also applies to methods. Limitation of assets results in specific shortcomings due to the concentration on specific strengths with which they compete.

The Constraints of “Going Agile”

It is a matter of the zeitgeist that individuals and organizations talk about “Going Agile”. They leave, as they say, the old world of “Waterfall” methods behind and turn to “Agile methods” or even “Agile transformation” and “Agile mindsets”. The promises are manifold: Going agile makes projects faster¹¹, ensures happier customers (which may be “internal customers”, actually the project requestors and users of its results), gives the team members more satisfaction, and even improves quality.¹²

However, agile methods, as they are publicly promoted, have a number of limitations, such as:

- Agile methods have short-term planning horizons and are not made to bring predictability and order into project management. Indeed, methods that can provide that, such as WBS, network diagramming, three-point estimations, and more, are rather rejected.

¹⁰ In a December 2022 article, I described how a “Healing Day” can be an effective tool to overcome such conflicts and bring the project back on track (Lehmann, 2022)

¹¹ One of the most seminal books is actually titled “Scrum: The Art of Doing Twice the Work in Half the Time” (Sutherland & Sutherland, 2014)

¹² As the question of what constitutes “Quality” and what contributes to it remains generally undefined, it is not fully clear what the promoters of Agile methods actually mean when they make the promise.

- Agile methods, as they have been published,¹³ are focused on internal projects. They presume that the project is done by just one organization. Questions that turn up in cross-corporate projects, such as the location of specific roles on the customer and/or contractor side, remain.
- Agile methods do not address major questions of project management, such as quality and risk management or working against tough deadlines and funding limitations.
- For project business, ensuring the contractor's profitability also remains unaddressed.

It seems methods have a commonality with human minds and organizational behavior: The focus on one type of performance reduces the ability to include others. The short-term planning that is a core characteristic of agile methods is incompatible with the mid- and long-term planning that is necessary for many projects.

Going Agile – Are We Enriching or Impoverishing Our Methodical and Mental Toolbox?

The requirements on project managers are increasing. As a general observation, time pressure in projects is going up and so do the challenges from the VUCA¹⁴ environment. It would be necessary to respond by filling the toolbox of a project manager with more tools and develop their situational awareness to understand, when to use which of these tools.

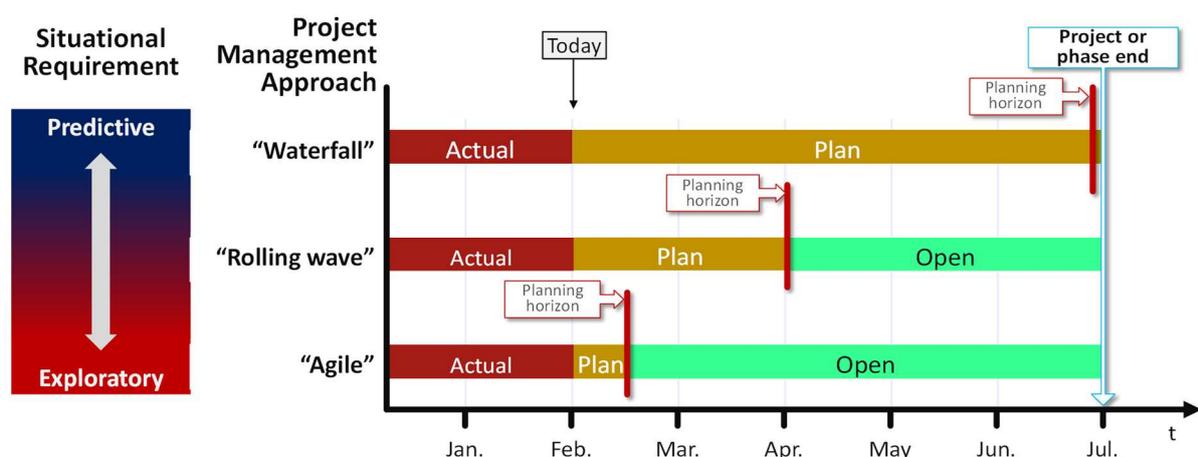


Figure 3: Project management on a continuum between short- and long-term approaches

¹³ A clear example of this observation is the Scrum Guide (Schwaber & Sutherland, 2020).

¹⁴ The acronym stands for volatility, uncertainty, complexity, ambiguity

I observe the opposite. Between the extremes of long-term and short-term planning, waterfall and agile, we have many options characterized by iterative-incremental methods also known as “progressive elaboration” or “Rolling Wave” (see Figure 3). Professionally handled, they allow us to respond to changing situations by selecting the approach that promises most success.

However, the public discussion is mostly reduced to “Agile” vs. “Waterfall”, ignoring this richness of methods that we can call upon. On the first glance, this seems to simplify project management, particularly for beginners. However, the true effect is that too often approaches are chosen that are inappropriate for the specific situation and lead to dissatisfactory results for stakeholders and finally to project failure.

Then, to make things worse, the tool is turned into an ideology.

Agile methods seem appropriate for roughly a third of project situations.¹⁵ When organizations “Go agile”, they make an approach mandatory that may be inappropriate for two thirds of their projects.

This does not sound like a promising proposition.

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He studied Linguistics, Literature, and History at the University of Stuttgart and Project Management at the University of Liverpool, UK, where he holds a Master of Science Degree (with Merit). Oliver has trained thousands of project managers in Europe, the USA, and Asia in methodological project management, focusing on certification preparation. In addition, he is a visiting lecturer at the Technical University of Munich.

He has been a member and volunteer at PMI, the Project Management Institute, since 1998 and served as the President of the PMI Southern Germany Chapter from 2013 to 2018. Between 2004 and 2006, he contributed to PMI's *PM Network* magazine, for which he provided a monthly editorial on page 1 called “Launch,” analyzing troubled projects around the world.

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- [“Project Business Management”](#) (ISBN 9781138197503), published by Auerbach / Taylor & Francis in 2018.

His previous articles and papers for PM World Journal can be found here:

- <https://pmworldlibrary.net/authors/oliver-f-lehmann/>