Earned Value Management
from a Behavioral Perspective

ARMY

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Outline

- Earned Value from a behavioral perspective
  - Risk Management Challenge
  - Motivation & Constraints
  - Improving Earned Value
EVM in a TQM Context

- Hank’s view of the problem with EVM
  - **Plan**  - Establish the Performance Measurement Baseline
  - **Do**    - Perform the work
    - **Check** - Measure performance (CPI / SPI)
    - **Act**   - React to performance

- **Planning**
  - Identification of risk
  - Assessing risk
  - Insertion of risk mitigation
  - Resourcing
  - Scheduling

- **Reacting to performance**
  - Resources largely committed
  - Schedules are tight
  - Problems often not understood
  - Punitive impact of response
    - Budget cuts
    - Rebaseline

Planning & Reacting to performance are hard
Risk Management Challenge

• Process **encourages risk** taking but **punishes failure**
  – no mechanism to account for risk without punishment
• The combination of increased risk and pressure to minimize resources is a significant problem

• Resource adequacy confounded by:
  – New ways of doing business
  – Understated technical risk
  – Market forces
  – Requirements & funding instability
  – Task misunderstanding

• Resource adequacy is a judgement call

• Tools/skills to facilitate planning
  – DSMC training has improved ... but
  – Lack of discipline in risk mitigation/identification / management
  – Criteria for “good” plan are unclear

• Walls are created before PMB is established
  – Cost / schedule / performance established months before PMB
  – Development of realistic PMB exposes inadequacy too late
Motivators

• Government

Program definition priorities
#1 - Performance
#2 - Cost (funding profile)
#3 - Schedule (dependent variable)

Program execution priorities
#1 - Maintain schedule
#2 - Fight for dollars
#3 - Performance (dependent variable)

• Industry

Interests
– Reputation (past performance)
– Customer satisfaction
– Profit
– Future market
– Technical capability
– Resource utilization
Behavior Outcome

- Government
  
  Readiness dilemma
  - Driven to keep program alive
  - Wanting to believe contractor can “pull it off”

- Industry
  
  Buy-in dilemma
  - Hoping to solve the problem before failure declared
  - Likelihood of “bail-out”

Outcome
No one can let go until it’s too late!
Keys to Improved Value

• Increase the PMB’s ability to absorb change
  – Resource bounds determined before risks are understood
  – Risk assessment is a skill not easily taught; not often supported by tools

• Potential improvements
  – Develop PMB prior to contract definitization or as input to source selection
  – Adopt modular contracting approach to enable planned break points to assess risk
  – Increased training and guidelines in IBR goals & conduct
  – Provide better risk and scheduling mitigation tools