

# **A Vision for the Future of PPP: Achieving Cutting Edge Strategies for the Management of Future Projects**

By

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## **Introduction**

The focus of this paper is on how PPP/PFI can deliver strategic outcomes in projects. This paper has five sections:

1. PPP/PFI Success ??
2. Many projects are complex
3. PPP/PFI attempt to put projects in a time bubble
4. A radically different approach to PPP – Next Generation Projam Management (NGPM)
5. New Competencies for complex projects

## **1. PPP/PFI Success ??**

The PPP/PFI success story is somewhat tarnished in Australia<sup>1</sup>. From the start, PFI in particular, have been in the limelight for all the wrong reasons. Issues over probity, transparency and value for money were raised with the first PFI and continue to today. PPP on the other hand have had problems with issues such as estoppel and problems in implementation through lack commitment or understanding of PPP.

The key reasons why PPP/PFI remain in the media include:

- PFI have risk distributions which have resulted in:
  - Overall PFI financial failure – Australia has seen hospital, water, rail, and road PFI projects fail through the miscalculation of risk. All too often contractors (with inappropriate competencies and with overly optimistic forward forecasts) take on PFI projects and fail
  - Inappropriate competencies in PFI operation. Building a project is very different from asset management
- PFI are financially driven, not community service driven. PFI are driven by banks to deliver financial returns, not to deliver a service to the community. This has resulted in PFI such as the Cross Sydney Tunnel becoming a symbol for what is wrong with the current approach to PFI – the project has closed roads and caused traffic gridlock all to force drivers to use the PFI, offers little public benefit, is totally driven by financial management, and provides no mechanisms for the government to steer the project through its life

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<sup>1</sup> Refer attached Media release by Dr David Dombkins

- PFI have not delivered the proposed innovations espoused by their promoters. Many PFI have succeeded through changing the rules, rather than through being innovative, they have made their money through artificially inflating charges over time, road closures, airports becoming land developers, changing duty free rules, new associated charges, etc.
- The community is demanding projects that are focused on the community and provide better value for money. A recent example was a PFI proposal for a desalination plant that failed both these tests. Through a public outcry, the government has abandoned the current PFI approach and is now focusing on building community service obligations into future PFI. Communities are no longer willing to subsidise high risk / interest rates as a hidden taxation. In Australia this had meant that changed risk distributions which allow alternative financial sources (with much lower risk profiles and interest rates) are now able to enter the PFI market
- PPP has been seen as a means to manipulate contractors into relational behaviours after a hard contract tender process.
- Estoppel has been very effectively applied and led to clients seeing Partnering as changing the terms of the contract
- Alliancing has been applied as a full trust model, with clauses limiting litigation, no clarity in risk distribution, no clear responsibilities, no formal governance structure, etc.

### **Who promotes PFI ?**

We are not seeing any public push for more PFIs, nor are we seeing Audit Offices finding and reporting on the benefits that PFIs are delivering to society. Unfortunately, all too often PFI are promoted by merchant banks which see PFI as pots of gold.

These organisations are focused on financial management, not innovation in design, delivery, and strategic asset management. This must change if PFI are to deliver for society.

This is not to deny the importance of profit. The key is to harness the profit incentive to be focused on delivering an emergent strategic outcome for both the client and society.

This is in start contrast to PPP projects where Audit Offices are not only reporting on successful PPP, but are issuing best practice guidelines for PPP.

## 2. Many projects are complex

**Many of today's project and programmes are highly complex. Given this level of complexity and the fact that current PPP/PFI approaches are having great difficulty delivering comparatively simple projects, it is hard to be optimistic about current PPP/PFI approaches being successful with highly complex projects. If current PPP/PFI approaches are to be applied to complex projects they need to be limited to very simple facilities / commodity type projects.**

Change management provides valuable insights, strategies and methodologies to understand and deal with complex projects.

Change management is now recognized as a central aspect of organizations. The scale / rate of change is usually classified into one of three types: incremental, modular, or revolutionary.

1. Incremental change is focused on delivering TQM type improvements within a system, but without changing the system. Six Sigma is a form of incremental change.
2. Modular change focuses on delivering significant change to the system through changing one function / element / subsystem at a time.
3. Revolutionary change focuses on delivering radical change to the system through changing multiple functions / elements / subsystems simultaneously. Another key aspect of change management is the depth of change. Depth varies from shallow (where a structural change is made or a business process is changed), to deep (where the culture or core competencies are changed). Obviously, shallow changes are much easier to implement than deep changes.

Research into change has found that:

- incremental change does not work in the medium to long term (it certainly improves the performance of a system, but is predicated on the system and its environment remaining stable) and it is only useful for shallow changes. Incremental change is a key activity for performance improvement. However, a focus on incremental change can be very effective in stopping learning. This is highlighted by the power of population ecology theory<sup>2</sup> which states that organisations don't in fact change, but are replaced in a Darwinistic fashion. The work of Kotter and Heskett has reinforced the power and relevance of population ecology theory. They found that the more successful an organisation has been over time, the less likely it is to change, and the more it will be trapped by its mental models<sup>3</sup>.
- Revolutionary change is very dangerous for organizations. Its success is highly dependent upon the leader and their ability to deliver deep change very quickly. Revolutionary change destabilizes a system and puts it at great risk.

<sup>2</sup> Hannan, M.T. and Freeman, J. (1977) 'The population ecology of organisations'

<sup>3</sup> Kotter, J. and Heskett, J. (1992) 'Corporate Culture and Performance'

- Modular change is the low risk change strategy. It delivers ongoing change at a rate which does not destabilize the overall system. Modular change, used as a program, can deliver deep change.

The issue then to consider is what types and depth of changes occur in projects.

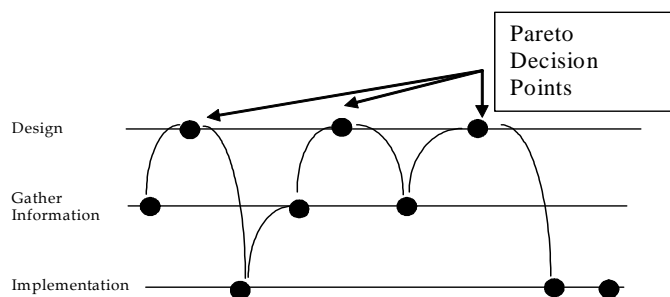
Traditional project management and its contracts are designed to deal with incremental change. Research has shown that any change beyond this results in a significantly increased risk of project failure. Therefore, traditional approaches to project management and contracts should be focused on projects where the scale and depth of change is incremental. Incremental change uses single loop learning. **Single loop learning** (simple or first order learning) is changing your response based on the feedback you get to move closer to your goal. There are two types of single loop learning: In time – uses feedback in the moment; and Through time – uses feedback to do better next time. There are feedback loops not only within an action, but also in a series of actions over time.

In many projects there is a lack of clarity (uncertainty) about scope, and ongoing internal and external change that result in deep modular or revolutionary change. Therefore, traditional project management approaches are totally inappropriate for projects where there is modular or revolutionary change.

All projects are based on the mental models existing at project inception. These mental models lay the foundation for all decisions made for the project. In incremental change, these mental models remain intact for the life of the change project. However, this is not the case for modular or revolutionary change projects. A key aspect of these change strategies is that the mental models change as well. This type of change requires double loop learning - **Double loop learning** brings our mental models into the feedback loop to either reinforce them or question them. Double loop learning is an essential tool in delivering emergent strategies (where there is an overarching vision, but the pathway to get there, and what the final outcome will be is far from clear, and will almost certainly change over the life of the project).

### Implementing double loop learning

Double loop learning is essential to delivering modular and revolutionary change, and emergent strategies - it is therefore essential that an ongoing process for double loop learning be embedded into such projects.



Vision drives the project. The project moves forward using both single and double loop learning towards the vision – you take actions, you experience the results of those actions, and you take further actions based on those outcomes, which in turn leads to more feedback and more actions as an ongoing process. This process enables vision and the emergent nature of systems to come together.

Pareto decision making is a key part of these learning loops - it identifies the weakest link or highest leverage point to apply action.

While the concept of using learning loops is simple, the application requires three specific enabling systems: a contract that establishes the governance system; an ongoing sub system that defines the business planning sub system; and a views based ongoing learning loop sub system.

**Governance Contract<sup>4</sup>** - The Governance Contract is a deed which establishes the ongoing project governance structure and processes that drive the project / programme as well as dealing with a range of legal and operational issues.

The structure and operation of the Governance Contract is dramatically different from the focus of traditional contracts which lock in scope and place great emphasis on preventing scope change. The Governance Contract has two sections - the body, and the schedules. The body of the contract is structured at the beginning of the contract and remains in place for the duration of the contract, while the schedules which are initially established at the initiation of the contract, are changed / amended as the project is implemented. These changes reflect the emergent strategy used to implement the project.

The body of the contract covers nine areas: Defines the Relationship; Vision; Governance Board; Executive Management Team; Integrated Teams; Business Planning and Strategic Project Set; Change Control; Issues Escalation; and Standard Boiler plate.

The schedules detail the initial project scope, views, budget, KPI, etc. The schedules are updated / changed through the ongoing business planning and learning loop subsystems.

The Governance contract clearly establishes the contractor's primary responsibility. It states that notwithstanding the parties' mutual intention to implement the project using governance contracting, the contractor acknowledges that it has the primary contractual responsibility for the planning and performance of the project in accordance with the deed.

The contractor also acknowledges that the client is relying upon the advice, skill and judgment of the contractor in the planning and performance of the project and that it is solely responsible for the performance of its obligations under the deed and that this obligation is not affected by any approval given by the client.

The contractor will (at its own cost) rework any work completed on the project which does not comply with the requirements of the deed, so as to ensure compliance with the requirements of this deed. The parties acknowledge that the management of the project will be based on process governance, and a management structure comprising the Governance Board; the Executive Management Team; and Integrated Teams.

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 <sup>4</sup> Dombkins, D. (1997) 'Projam Management'. Doctoral Thesis

The contractor also acknowledges that nothing in the deed constitutes a joint venture, agency, partnership or other fiduciary relationship between the client and the contractor and that it has no authority to bind the client and that at all times during the performance of the project and the performance of its other obligations under the deed, the contractor is an independent contractor and not an employee or agent of the client.

The contractor warrants that it:

- has the power to execute, deliver and perform its obligations under the deed and all necessary corporate and other action has been taken to authorise that execution, delivery and performance;
- will exercise the standards of skill, care and diligence in the performance of the project that would be expected of an expert professional;
- take all necessary measures to ensure that the project is fit for their intended purpose;
- will perform the project to at least the performance levels relative to each Key Performance Indicator;
- will ensure that its representatives on the Governance Board exercise a duty of the utmost good faith to the client in their obligations under the deed;
- will provide experienced and skilled personnel to perform the project in accordance with its obligations under the deed;
- will ensure that the key personnel (named) perform the roles required of their respective nominated positions and are not removed from those positions without the prior written approval of the Executive Management Team. If it is necessary to replace any of the key personnel referred to (whether as a result of death, illness, resignation or otherwise), the contractor must arrange for a replacement by a substitute person approved by the Executive Management Team. If either client or the contractor believe, in good faith, that any person employed by the other in relation to the performance of obligations under the deed is not acting in the interests of the project's objectives, it may by written notice request the removal of that person from the project;
- will develop sub systems and compliance plans for endorsement by the Governance Board and keep up to date the plans and aligned with the changing project objectives and environment. Once approved in writing by the client, the sub system and compliance plans and amendments to those plans will form part of the project and must be complied with by the Contractor.

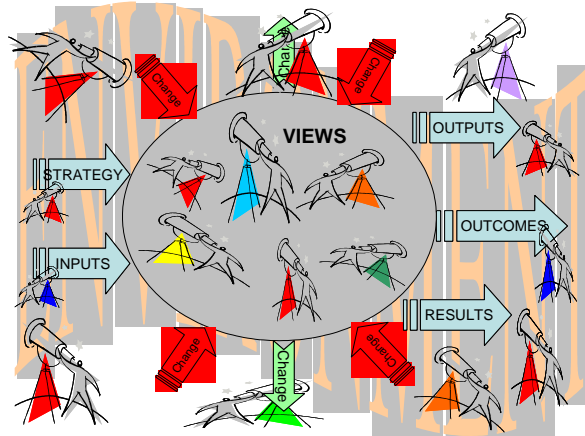
**The Business Planning Process**<sup>5</sup> – Vision drives the ongoing business planning system. It uses views as inputs to develop an holistic understanding and to deliver double loop learning. Single loop learning is established and delivered through the continuous improvement sub system. The business planning system produces ongoing snap shots (using views) which drive the development and implementation of an emergent strategy.

The process starts with views being developed. These views are then brought together using montaging (refer below), to develop the emergent strategy. Following this,

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<sup>5</sup> Dombkins, D. (1996) Project Managed Change. Working Paper. Australian Graduate School of Management

concept project plans and concept business cases are prepared for possible sub projects. The concept project plans and business cases deal with the project's strategic focus and a limited business case which focus on implementation strategy, scope, cost benefit, risk, and project outcomes. Because project options will vary in their complexity and uncertainty, there is no single format for the concept project plan.

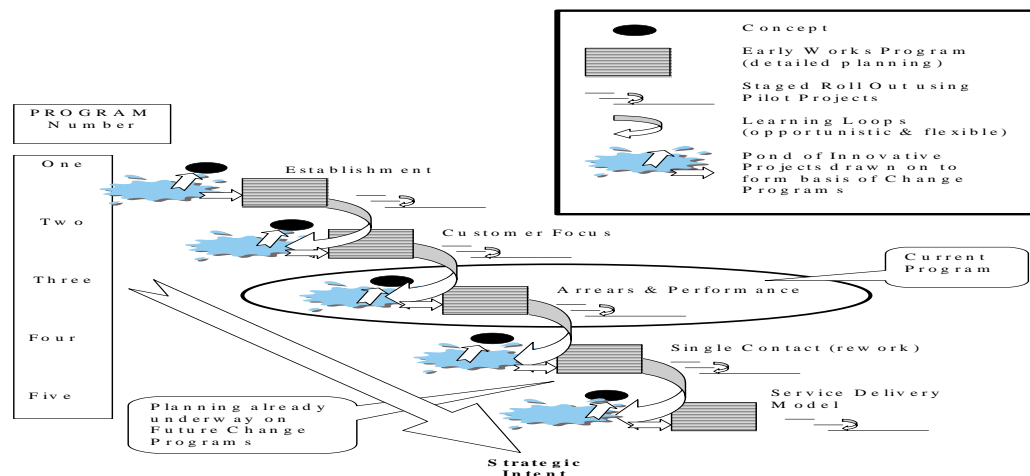


Unlike project plans where the format of the plan changes with the level of complexity / uncertainty, the format of the business case remains constant for all projects. The structure of business cases needs to be standardised to allow for comparisons between competing projects, and the locking in of performance measures that link the project to deliverable outcomes / results.

Based on the level of their strategic focus and the strength of their business cases, an initial set of strategic projects is selected. A Baseline Project Plan and Baseline Business Case are then completed for projects nominated for inclusion in the Strategic Project Set. The baseline project plan and baseline business case are fully developed and include detailed implementation and outcomes / results performance measures.

Standardisation of process in concept and baseline project plans, and in concept and baseline business cases are used to drive behaviour and as a means of increasing process reliability and validity.

An annual business planning process is used as the baseline. However, the process is flexible and is linked to the periodic (three to six monthly) Project Strategy



Emergence Review where each project's performance is reviewed in line with performance and strategic change resulting from double loop learning. To drive

behaviours, the ongoing strategic review of projects using double loop learning is established as a sub system in the project strategy emergence review process. Flowing from this review process the composition of the strategic project set can be changed, along with the baseline project plans and baseline business cases.

**Views based ongoing single and double loop learning sub system<sup>6</sup>** – Using multiple views provides a wider, more diverse (holistic) understanding. Views are used in establishing the project strategy and its system, and remain a key part of driving the development and implementation of Emergent Strategy through the double loop learning process.

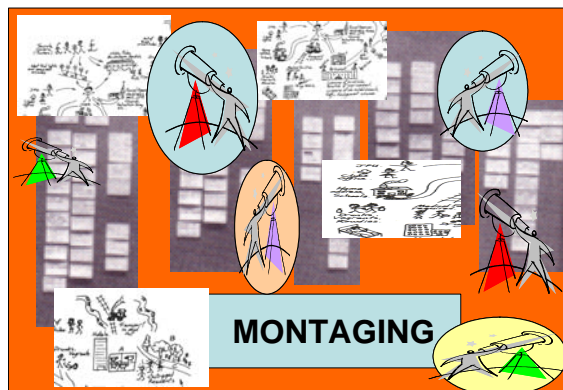
Views are taken from multiple positions from inside and outside the project. The views will come from very different positions and will inevitably contradict one another. Metaphors are a very useful tool in developing views.

Metaphors can also be used to provide a wide range of views that can include political, organisational, cultural, strategy (vision of the future), and post modern views such as devils advocate, an inventor, a race, a machine, an organism, a brain, a motivator, a network, a mentor, an integrator, a coach, part of community, a journey, a place of learning, fun, a media organisation, a warehouse with limited resources, an artist, a guide, ethics.

It is through this rich montage that an holistic understanding of the project is developed. This holistic understanding is however, a snap shot in time and it cannot be relied on over time. To be effective the views must be constantly updated to bring changes in the views into the project. This change process is a two way street with external change permeating the project, and the project itself initiating and driving change in the environment. This use of views drives double loop learning.

One tool that is useful in establishing and understanding views is rich pictures. Rich pictures are pictorial representations of the view. Rich Pictures are a powerful tool in understanding multiple views. A rich picture is one that expresses an holistic view in as rich a manner as possible. The process parallels brain storming, but uses pictures instead of words. The rich picture incorporates the structure (how things fit together), the processes, and aspects such as attitude, culture, emotion, conflict, etc.

Rich Pictures combined with Montaging is a very powerful tool in understanding multiple views. Montaging takes the multiple views and progressively brings them together. It highlights areas of overlap, alignment and divergence.



<sup>6</sup> Dombkins, D (2005) *Next Generation Project Management*. Major Project Association, Templeton College, Oxford University

Because views change over time and new views may need to be added, the use of rich pictures to assist in developing views and the montaging of the views needs to be an ongoing process. The basic pattern is similar to that used in partnering, where an initial facilitated workshop is used with three to six monthly follow up workshops known as Project Strategy Emergence Reviews. Ideally Project Strategy Emergence Reviews are conducted every three months – experience has shown that three monthly reviews are the sweet spot. Too close and reviews become mundane, too long and responsiveness / opportunism are lost along with alignment and motivation.

The outcomes from the use of ongoing views, rich pictures, and their montaging provide the inputs for double loop learning. The business planning process uses these inputs to review / reset the project strategy (emergent).

### **Overcoming Bounded Rationality**

The project management of complexity is based on systems, learning loops and recursiveness, rather than linear and non-recursive thinking. Once a change is made in one part of the system, emergence takes over, and changes occur across the system. Based on the outcomes from this process, a learning loop occurs and a follow up action is initiated.

Great care needs to be taken in the selection and operation of feedback loops. It is essential that the measures being used as feedback provide multiple views and that the measures provide timely, valid and reliable data.

Perspectives are powerful tools in learning. As described earlier, greater understanding is achieved through using multiple perspectives (metaphors) and dialectics with each metaphor. Two broad types of view need to be used:

1. An objective view which looks at the system from outside it, and
2. A subjective view which looks at the system from inside it.

Multiple metaphors should be used within each view to overcome bounded rationality concerns.

### **Delivering project scope**

Through the project being driven by vision and it having an emergent strategy, concerns regarding scope management become a non issue. The Governance contract ensures that the project is driven to deliver emergent strategic outcomes, while ensuring that probity and compliance are maintained.

The single learning loop sub system drives incremental improvement, while the double loop learning sub system delivers ongoing modular change to ensure that the project is focused on delivering changing client needs (outcomes) and deals with changes in its environment and within itself.



loops, and behavioral change processes, and the management of meaning to drive organizational change and to rapidly increase organizational maturity.

#### **4. A radically different approach to PPP – Next Generation Projam Management (NGPM)**

Over the past few years, project management as a profession has begun a debate about the suitability of the existing project management body of knowledge, methodologies and tools, and their relevance to complex projects. Other disciplines have faced a similar challenge and provide insights that are useful for project management. Systems Thinking, and Strategy in particular, parallel project management in many ways. Systems Thinking is usually project based and, similarly to project management, its projects now encompass high complexity. Strategy focuses on developing and implementing planning for an organisation. The strategic process in many ways parallels a project.

Systems Thinking originated and developed in the early 1960s. Its dominant methodologies were built on the scientific method and were focused on facts. As systems thinking has grown as a discipline, it faced similar problems of project complexity to those currently being faced by project management. Over twenty years, systems thinking has developed a typology which enables practitioners to select the appropriate philosophy, methodology, and tool set for a particular project.

Traditional thinking is concerned with facts. Systems Thinking moves away from this positivistic philosophy and uses views, metaphors, and useful constructs as tools to provide insight, as opposed to facts.

In a traditional approach a system is broken into its components, each component is analysed in detail and facts are established – there is usually only one acceptable fact for each issue. The traditional approach has however, encountered significant problems with its own approach. For example, under differing circumstances light exemplifies either particle or wave characteristics.

A key aspect of this change in philosophy is that systems thinking now approaches projects through views. In contemporary systems thinking the emphasis on facts is put to the side, and a very different approach is taken. This approach is often referred to as anti positivist. Using this approach an issue / system is looked at from multiple perspectives (views) using dialectics such as the machine, the organic brain, culture, and political metaphor.

This list of metaphors is a useful check list – it is not an all inclusive list and should be adjusted / changed as required by a particular situation. What is important is that from viewing a problem using multiple metaphors, a better and more practical understanding is obtained. A key point in the use of metaphors and in systems thinking is that the ambition is not to deceive oneself into believing that the views or systems model provides reality. At best systems thinking and metaphors provide insights which facilitate improved decision making and creativity through changing from linear to circular thinking.

As with systems thinking, project management needs the capability to deal holistically with: the project as a whole; and the project in context, rather than the project in isolation to its environment. Most projects operate within larger systems, and are systems themselves being made up of multiple smaller but interconnected systems. Internationally, clients are reflecting their changed expectations from projects through moving performance measures away from inputs / outputs to be based on project outcomes and results.

These changes, along with increasing environmental uncertainty are driving project management to not only deal with the project as a system and its internal sub systems, but just as importantly treat the project as part of a much larger system. In many projects it is the reliance on a positivist philosophy, and the failure to use an anti-positivist philosophy that deals with complexity and uncertainty, which has driven project failure.

To achieve this holistic view requires project management to use a new way of thinking. Positivist project management methodologies and tools break project / organisation/ issues down logically into constituent pieces, analyse the constituent pieces, and then re-assemble them. This logical approach, however, has significant limitations in that it fails to deal with the interaction / synergy between the constituent parts. The interaction/synergy between the elements within a system and the interaction of the system with its environment are the key issues – not how the parts operate in isolation. As with systems thinking, because of this complexity and uncertainty in many projects, using anti-positivist philosophy with views and metaphors provides the only practical way forward.

### **Philosophy of Strategy as an input into NGPM**

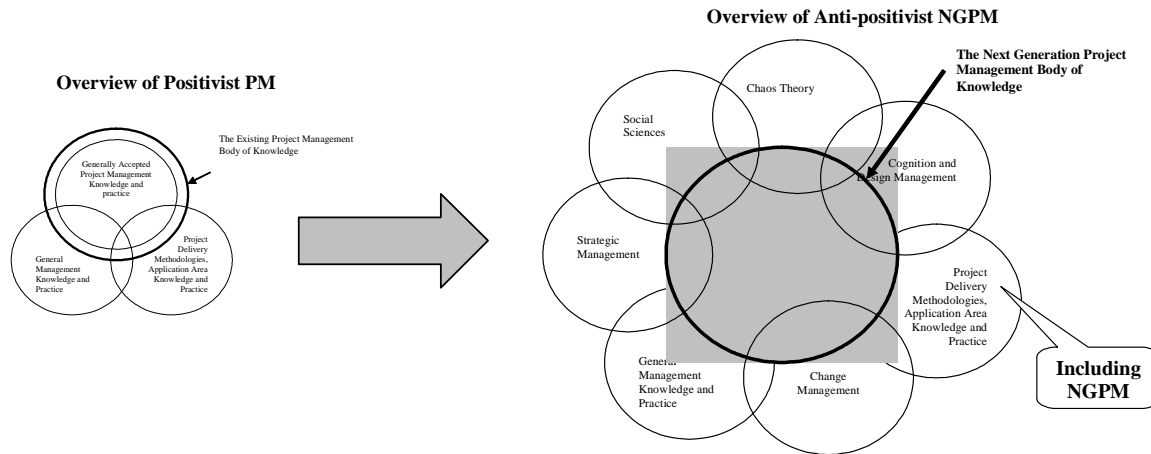
‘Rational’ or ‘Emergent’ is a key debate that has raged for nearly a decade in the strategy literature. As with project management and systems thinking, strategy’s foundation is in positivism. However, this positivist view has been successfully challenged by an anti-positivist philosophy. Most strategy writers now accept that a positivist philosophy towards strategy is fundamentally flawed, and that strategy is best seen as emergent. The main issue remaining in dispute is the degree of voluntarism that exists in the emergent process.

The focus on emergence and the degree of control that managers have (voluntarism), as opposed to being swept along by the process (determinism), are key issues from the renaissance in strategy which are most important to NGPM.

### **An Anti-Positivist Philosophy for NGPM**

The impact of applying an anti - positivist philosophy is shown in the following diagram. The positivist project management philosophy and its body of knowledge depict the overlap between PMBOK, General Management Knowledge and Practices, and Industry (Project Delivery Methodologies, Application Area, Knowledge and Practice).

The anti-positivist philosophy includes multiple views which could include: Strategy; Cognition and Design Management; General Management; Change Management (including systems thinking); PMBOK; the Social Sciences; and Chaos Theory. These views could relate to metaphors in line with those proposed by Morgan. The stark contrast between the positivists' limited view of a project compared to the anti-positivist philosophy highlights the magnitude of the paradigm shift in NGPM. In an anti-positivist view of NGPM a project is looked at through multiple views and metaphors. The views provide insights which add together synergistically, not arithmetically.



The key aspects of the NGPM philosophy are:

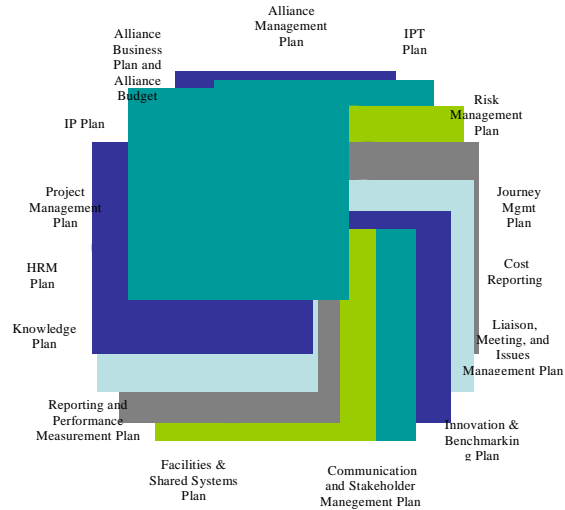
- Multiple views are used to gain a better understanding. These views provide valuable insights, but do not reflect reality – they are rather ‘useful constructs’;
- The multiple views when brought together add synergistically to provide greater understanding in decision making and in strategic planning and implementation;
- Projects follow an emergent process in which projects managers have a degree of voluntarism;
- Project management must fit with cultural values and practices; and
- Equifinality – there are many ways to reach a destination.

### NGPM Organisational Architecture

To be effective, NGPM needs to be able to deal with complexity, uncertainty, an emergent process, and be adaptable to different cultures. To deal with each of these aspects (and their many views) holistically is not humanly possible. However, NGPM is able to overcome this obstacle through using multiple views and then synergistically bringing them together. There is no magical number of appropriate views, nor is there a list of key views.

A strawman for NGPM views could include the following views as a starting point. The number/ composition of views need to be adjusted to fit with the nature of a particular project. The key issue is that each view provides valuable insights into the project and that each of the views interacts with each of the other views synergistically.

- Governance
- A facilitator
- A ‘Houdini’
- An integrator
- A part of the community
- A map (strategy)
- An integrated and caring community
- An auditor
- A journey
- A motivator
- A secretary
- A library
- A place of learning
- A warehouse with limited resources
- A problem solver
- A fire fighter
- An innovator
- A machine
- A reporter
- A media organisation
- A politician



This list is provided as a starting point in designing your own NGPM methodology to fit with your projects specific requirement. The key is to use each view as a means of understanding your project architecture in depth from that particular perspective. Once each of the views has been looked at in detail by the relevant stakeholders, the next step is to progressively bring the views together to integrate them and to create synergy. Connective planning provides a useful tool in bringing together and integrating the multiple views. The process appears more onerous than it really is. Experience has shown that through moving through the process in a systematic manner, which will inevitably be both recursive and non linear, and through taking the time to develop each view in detail, and then really listening to and respecting those views during the integration process, that significant steps in innovation and synergy rapidly emerge.

## 5. New Competencies for complex projects

The delivery of complex projects requires two interdependent innovations:

1. new project management competencies
2. new methodologies and contracts

### **New Project Management Competencies for Complex Projects**

Traditional project management competencies are totally inadequate to deal with complex projects and programmes. The Australian Defence Material Organisation<sup>7</sup> has recognised this and is currently piloting new project management competencies standards in selecting project leaders for complex projects and programmes.

These new standards are the first to deal with complex projects and programmes. They define:

- the knowledge and behaviours that are acceptable as the minimum requirement for an individual to be recognised as being competent to take responsibility as a Project Manager for complex projects; and
- additional knowledge and behaviours (in addition to that specified in PMBOK based competency standards) that are acceptable as the minimum requirement for an individual to be recognised as being competent as a Project Manager for traditional projects.

Project Management competencies are defined by answering the following three questions:

- Role Description - What is usually done in the workplace in this role at this level?
- Action in Workplace - What action (behaviour) in the workplace is required?
- Underpinning Knowledge - What underpinning knowledge is required?

Traditional approaches to competency standards have used a reductionist approach which breaks roles down into units, elements, underpinning knowledge and actions in the workplace as the assessment criteria.

This philosophical approach implies that an individual is recognised as being competent if they can satisfy the individual requirements.

For example:

- A person can know all the words in a language and the grammatical rules, but this does not mean that that person can speak the language fluently; and
- A person can know how to play individual notes and chords on a guitar, and know how to read music, but that does not mean that they can play a guitar.

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<sup>7</sup> The new complex project management standards were developed and authored by Dr David Dombkins

This standard moves away from the traditional philosophy, approach and language, as it is not possible to adequately describe complex projects / programmes /portfolio using traditional philosophy, approach and language.

This standard uses a systems thinking philosophical approach and methodology - *you cannot understand a whole through analysing its parts.*

This standard's philosophical approach is that:

- views provide insights from multiple perspectives that together provide holistic understanding; and
- an holistic understanding of the competencies required for the project / programme management of complexity, and the assessment of an individual against those competencies can only be achieved through using multiple views.

The methodologies used in this standard draw on both the positivist and the anti positivist methodologies for analysis and assessment. There is a strong focus on action learning and the use of tools such as rich pictures, metaphors, tests (including cause and effect modelling, and scenario strategy development), personality profiling, and workshops, rather than relying on documentation.

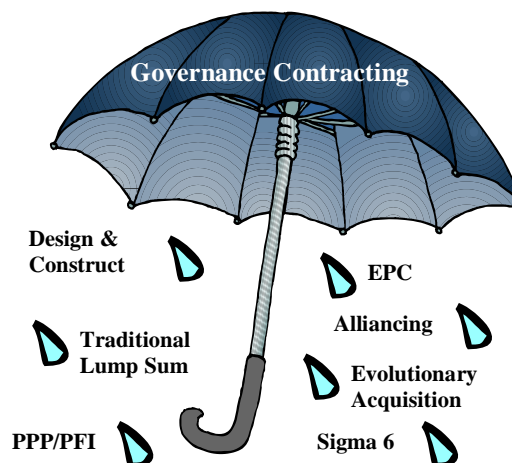
The standards are being developed by the Defence and Industry Project Management Council (DIPMC). The DIPMC is made up of the Deputy CEO of the Australian Defence Material Organisation, the CEO's of tier one defence contractors, and Dr David Dombkins. The intent is to have the standards established as the international standard for recognising competencies for complex project management.

The new standards are currently being piloted by the DIPMC members. They will be released by the DMO in May 2006.

### **New Project Management Methodologies and Contracts for Complex Projects**

Up until the development of Governance Contracting, no Program Delivery Methodology currently existed for the management of complex programs. At best programs were broken down into projects and the overall program managed using a Project Delivery Methodology. This use of a traditional Project Delivery Methodology as a Program Delivery Methodology may be appropriate for Programs where the scope can be fully defined and there is low uncertainty and complexity. However it is totally unsuited to programs where there an emergent strategy or an inability to define scope through a high level of uncertainty or complexity.

Governance Contracting is a Program Delivery Methodology which has been



designed to delivery emergent strategy programs, complex programs (such as change and PPP/PFI), and programs with high scope uncertainty.

As shown, a key feature of Governance Contracting is that it supports all other Project Delivery Methodologies under its umbrella.

The following media release highlights the issues that PFI are facing.

## Media Release – October 2005

**Professor Dr David Dombkins  
National President and Chairman,  
Australian Institute of Project Management**

### **Key points:**

- Private Funded Infrastructure (PFI) projects are not delivering
- The public purse is bailing out PFI failures
- Community and social obligations are being ignored
- Further PFI projects should be stopped until a better approach used
- Project management of complexity provides this approach

PFI projects are promoted as adding value to society. Unfortunately, this high ideal has been lost to short term profit and political expediency to make budgets look artificially good. PFI projects have been taken over by banks and are clearly not delivering their promised benefits to society. PFI proponents promise better management, innovation, and a performance based risk distribution where the private sector through their commercial expertise, take on a high level of project risk.

However, the reality is far from the rhetoric. The Sydney Harbour Tunnel was our first example of PFI not delivering. Motorists saw a rapid rise in toll charges to cover commercial miscalculations. The Sydney Airport Rail is another example of the public purse coming to the rescue of a financial miscalculation, and now with Sydney's Cross City Tunnel we see the public purse again used to support yet another commercial miscalculation.

On the other hand we do not see PFI projects giving back to the public or the public purse when they make windfall profits.

It is useful to look at the financial structuring of PFI projects. There is a capital investment made at project initiation and usually the project is sold /included in a publicly listed vehicle so that the promoters can obtain an early profit. The project has to be maintained over a period, usually 20 years, and at that point the project reverts to public ownership. For example, on a tollway, the setting of the toll takes into consideration the initial capital costs, interest, and maintenance costs. The only one of these costs that varies over the life of the project is maintenance, which should only change in line with CPI.

Unfortunately, this again has not been the case. Tolls have risen and risen with no justification other than to cover financial miscalculation or to artificially increase profits.

Our Governments are immature in the use of PFI projects and further use of PFI should be stopped until a more appropriate approach is established.

This new approach has to either include the public in benefiting in windfall profits with full financial transparency, or have PFI promoters accept the downside risks as well as taking the upside benefits.

PFI projects are promoted as providing greater benefit to society. The promoters market that the private sector will provide society with a better deal than Government. So let's take them up on their promises and include the delivery of community service obligations in their contracts.

A similar problem exists when Governments privatise key monopolies. Recent examples highlight this. Commonwealth Serum Laboratories (CSL) was privatised for a meagre sum, it is now worth many times what we, the public, received for it. Now, instead of the Government being able to direct the old CSL to focus on developing vaccines for the potential bird flu pandemic, we see the Government having to go cap in hand asking drug companies to divert funding away from what drug companies see as more profitable areas to public interest issues such a bird flu vaccine. It is time that Government include community service obligation into the companies act for the key monopolies and have companies rewarded / penalised through taxation in respect to the achievement of their community service obligations. It would have been very useful in both the CSL and the Sydney Airport privatisation.

Project management has historically been central to delivering the PFI project, but project management can add much greater value. Australian project managers are international leaders in incorporating community and environmental obligations into contracts similar to PFI. Through introducing these innovations into PPP contracts we can make PFI project promoters take real financial and social responsibility, rather than the short term profit and risk shedding focus we see today.

With critically important projects such as the proposed desalination facility at Kurnell, and new power stations, the existing approach to PFI projects and to privatisations of monopolies such as Sydney Airport needs to thoroughly reviewed before the public are locked into inappropriately structured PFI projects that will impact us for the next twenty years.