

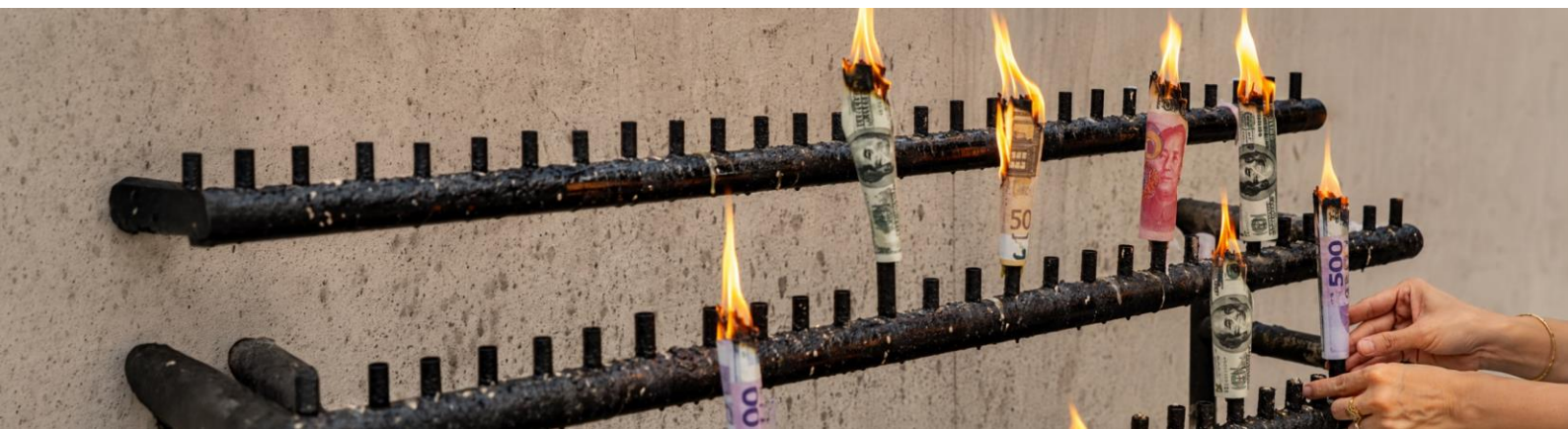
***Project Business Management*^{1,2}**

Earn or Burn – Training for Project Business

Oliver F. Lehmann

“An investment in knowledge pays the best interest.”

– Benjamin Franklin



Summary

Companies that live on customer projects train their people thoroughly in technical work, unevenly in project management, and barely at all in Project Business – the commercial and contractual handling of the customer–contractor relationship, where money is earned or burned. This article describes that gap, explains why it exists, and derives objectives for closing it on three levels: for the individual project managers who face the customer, for the organization, and for the training function whose budget is under scrutiny in many of these companies – and which is the one function able to close the gap.

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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Observations from the classroom

Before the argument, some evidence. For more than two decades I have trained project managers who run projects for paying customers, and a handful of observations repeat themselves across industries, company sizes, and countries with unsettling reliability.

It's also the field where I come from, so when I talk about errors made by project managers today, many of them are errors I made in the past too. This article is not about finger-pointing at others; it describes systemic shortcomings that corporations must address and resolve to get their business in order. And the prerequisite of these resolutions is education, which puts the corporations' training departments at the center.

So, what are the shortcomings I observe?

Most of these project managers have never read the contract of the project they manage – and those who have often do not understand what it obliges and entitles them to. Many actively reject business responsibility for their project: they see themselves as senior engineers with a schedule, not as the accountable managers of a commercial venture. Consequently, they run the project as a cost center – something that consumes budget and must justify its spending – when for a contractor, the project is a profit center: the place where the company's income is generated. And in conflicts between the customer and their own employer, a remarkable number of them side, instinctively and in good faith, with the customer.

Two further observations concern what does not happen. Most participants have never encountered Continuous Business Development – the discipline of developing follow-up business while the current project is still running, so that the temporary nature of projects does not translate into short-term revenue. And few keep their eyes open for Benefit Engineering opportunities: moments in the running project where the contractor could create additional benefit for the customer and additional business for itself at the same time.³

None of this is a character flaw, and little of it is corrected by experience alone. It is, precisely, what nobody taught them. The remainder of this article traces where that gap sits in the company, why it exists, and what its closure should achieve – for the individuals, for the organization, and for the department that can close it.

Where the money is decided

In a company that delivers projects to paying customers, money moves through three kinds of hands.

1. Technical work – engineering, development, construction, integration – spends it: on hours, material, licenses, and subcontractors.

³ (Lehmann, 2018)

2. Project management administers it: budgets are planned, consumed, forecast, and reported.
3. And the commercial and contractual handling of the customer relationship earns it – or burns it. A change request recognized and filed turns extra work into extra revenue; the same change absorbed in silence turns it into a donation. An acceptance obtained on the planned date releases a payment; an acceptance that drifts releases nothing. A liability clause understood at bidding time is a calculated risk; the same clause discovered during a dispute is a loss.

For most of the past decade, healthy margins have hidden this asymmetry. A missed claim here, a late milestone there – good times forgive such mistakes. The present times, in many project industries, do not. When margins are thin, and financing is expensive, the difference between a project that earns and a project that burns is rarely decided at the workbench. It is decided at the interface between the project customer and the project contractor.⁴

This article is about that interface, about the people who work at it, and about a corporate function that is rarely mentioned in the same breath: the training department. The argument, in one sentence: the competence that decides between earning and burning is teachable, it is taught almost nowhere, and the function best positioned to change that is the one whose budget is currently under the sharpest scrutiny.

Two floors, and the space between them

Picture the company as a building with two floors. On the ground floor stands the organization as it operates today. On the upper floor are the outcomes its management is accountable for: profitability, positive cash flow, and customers who come back – and bring friends. These three are not arbitrary. Profitability keeps the company alive in the long run, liquidity keeps it alive this quarter, and returning customers are the least expensive revenue a project contractor will ever win, because they arrive without an expensive marketing campaign and bidding contest.

Between the two floors, a staircase must be built, and it is built from competence. The question this article asks is a simple one: in a typical project contractor, how far up does the staircase reach?

How companies are set up so far

Figure 1 shows the answer I find in most companies that live on customer projects.

⁴ (Artto & Wikström, 2005)

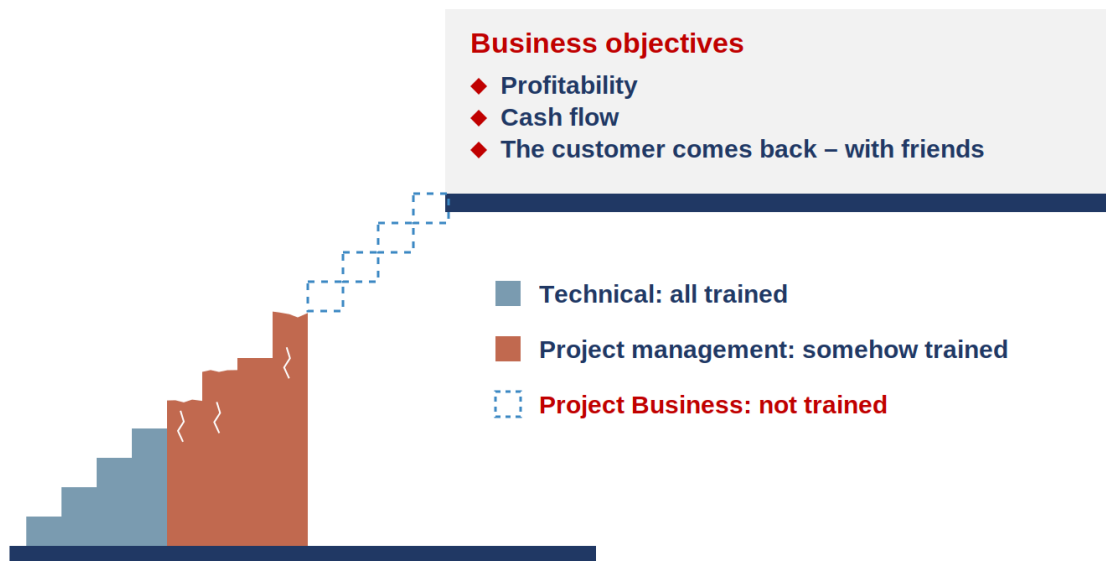


Figure 1: How companies are set up so far: technical competence is solid, project management competence is uneven, and Project Business competence – where money is earned or burned – is largely missing.

- ◆ The first flight of stairs is technical competence, and it is solid. Engineers, developers, and specialists are formally educated, systematically developed, and continuously updated. This is where companies invest most of their training money, and it shows. It is also, in business terms, the flight where projects spend money.
- ◆ The second flight is project management. Here the picture is uneven. Method knowledge exists somewhere in the organization, often documented, sometimes certified – but it is unevenly distributed, and the people who hold it are not always the people who face the customer. Some steps are cracked; one or two are missing. This is the flight where project managers administer money.
- ◆ The third flight – the one that would actually reach the upper floor – exists in most companies only as a dashed outline. It is the competence I call Project Business: the commercial and contractual handling of the relationship between project customer and project contractor.⁵ Bidding and estimating. Contract types and the risks each of them allocates. Change requests and claims. Acceptance and its legal consequences. Payment milestones, retentions, and their effect on liquidity. Warranty and liability. Contribution margin thinking at the level of the individual project. On this flight, projects earn money – or burn it. And on this flight, in most companies, nobody has been trained.

⁵ (Artto & Wikström, 2005; Hobday, 2000)

Why the gap exists

The gap is not the result of negligence, and it helps to be fair about its origins because they explain why it will not close on its own.

Technical education produces technical excellence and nothing else. A degree in mechanical engineering, computer science, or civil engineering contains no module on what an acceptance protocol triggers, which party carries the risk of ground conditions under a given contract type, or when a claim expires. Nobody expects it to.

Project management education, where companies provide it, was largely built for a different setting: the internal project, performed by one organization for itself. The established standards and bodies of knowledge treat scope, schedule, cost, resources, and stakeholders in depth – and treat the contract, where it appears at all, as an input to the project rather than as the thing being managed.⁶ For an internal project that is adequate. For a project that *is* a contract, it is not.⁷

Career paths do the rest. Project contractors typically promote their best technical people into project management. These people then learn the commercial side by exposure: if they are lucky, by watching a seasoned colleague; if they are not, through a mistake whose cost appears in nobody's training budget but in everybody's year-end figures. Learning by exposure is learning at the most expensive school available. It is learning by trial and error, and while trial in Project Business is costly, error can be devastating.

The result is a workforce whose competence profile is an inverted image of where the money is decided: deepest where money is spent, thinnest where it is earned.

A gap of mindset and practical knowledge

It is worth being precise about what kind of gap this is, because the answer determines who can close it.

It is not a tooling gap. No software recognizes that the customer's "small adjustment" in yesterday's meeting was a compensable change; a person does, or nobody does. It is not a staffing gap. The companies in question do not need different people; their engineers and project managers are, individually, as capable as any. What is missing sits in two layers.

The first layer is practical knowledge: what a contract type allocates, what an acceptance triggers, how a claim is documented, how a payment milestone behaves when the schedule moves. This is teachable in the most ordinary sense of the word – syllabus, cases, exercises, examination.

⁶ (PMI, 2025)

⁷ (Lehmann, 2018)

The second layer is mindset, and it is the harder one. A project manager with a Project Business mindset reads the same events differently.

Where the technically minded colleague sees an interesting engineering problem, Project Business also sees a cost item without a corresponding revenue item. Where the internally trained colleague sees a stakeholder to be kept happy, Project Business also sees a contract party with obligations. Mindset does not replace goodwill toward the customer – the objective remains a customer who comes back – but it ends the confusion between being customer-friendly and being free of charge, between a present and a gift.

There may be a third layer above these two: trust. Can management rely on its project managers to make sensible business decisions inside their projects? It should be able to – management attention is the scarcest resource an organization owns, and where this trust is missing, every commercial question travels upward and competes there for attention, time, and energy until managers are overwhelmed by it. Trust of this kind, however, cannot be decreed. It grows from demonstrated competence, and demonstrated competence requires education.

Both layers are forms of human capital, and the economics of human capital are well understood: it is built by deliberate investment, and it appreciates where the work is knowledge-intensive.⁸ In plainer words: the missing steps are not bought, and they are not hired. They are trained.

Objectives for the individuals

What should training for Project Business achieve for the individual project manager? Four objectives, in ascending order of ambition.

- ♦ First, recognition. The project manager recognizes business events when they happen: a scope change hidden in a friendly request, an acceptance criterion silently redefined, a delay that has just shifted from their own risk sphere into the customer's. Recognition is the cheapest of all competences and the one with the fastest payback, because an unrecognized event cannot be managed at all.
- ♦ Second, contract literacy. The project manager can read their own contract as an operating manual rather than as a legal appendix: they know which clauses define their room to maneuver, which deadlines are theirs to keep, and which rights expire if unused. They know when a situation exceeds their competence and a lawyer must be involved – contract literacy includes knowing its own limits.
- ♦ Third, a money model of their project. The project manager can explain, without calling the controller, how their project earns its contribution margin, which events release cash and which delay it, and what a proposed decision does to both. In

⁸ (Becker, 1993)

Project Business, the project manager runs a small business inside the company; this objective makes that role explicit.

- ♦ Fourth, standing. In the change negotiation, the acceptance meeting, and the claim discussion, the trained project manager argues in the same categories as the customer's commercial staff – and is treated accordingly. Standing cannot be granted by the organization chart; it is the visible surface of competence.
- ♦ Fifth, perspective. Project managers in customer projects habitually make the customer's problem their own. The customer must meet a legal deadline; the project is late – because of the customer's own change requests and delayed enabling services – and the contractor's team slides into panic mode. The trained project manager reads the identical situation differently: the customer has a problem, the contractor is in a position to solve it, and help of this kind is not a favor but billable work. Panic is the untrained response to what is, commercially, an opportunity – the chance to be the customer's rescuer, and to be paid for the rescue.

Objectives for the organization

For the company, the objectives of training for Project Business are the three items on the upper floor – made concrete.

- ♦ Profitability: the margin calculated at bidding time survives delivery. The mechanisms are unspectacular and cumulative: changes are compensated instead of absorbed, claims are filed before they expire, penalties are avoided because their triggers are known, and unprofitable heroics are declined politely. None of these mechanisms requires a better product; each of them requires a person who recognizes the event and knows the procedure.
- ♦ Liquidity: cash arrives when planned. Acceptances are obtained on the planned dates because their preconditions were managed from the start; invoices follow acceptances without delay; retentions are released when their conditions are met, not when someone finally remembers them. In times of expensive money, a project portfolio that pays on schedule is a financing advantage that shows up far from the projects themselves.⁹
- ♦ Customer loyalty: the customer comes back, and brings friends. This objective is sometimes assumed to conflict with the previous two, as if commercial discipline would sour the relationship. Experience says the opposite. Disputes that poison relationships grow out of surprises – changes nobody priced, acceptance criteria nobody aligned, claims that arrive as ambushes at the end. A project manager trained in Project Business handles these matters early, openly, and by the book, and the book is one both parties signed. Predictability is a service to the customer.

⁹ A free browser-based tool for this purpose is Cash Radar, provided by the Project Business Foundation:
<https://project-business.org/cash-radar/>

Companies are not loyal to contractors who are cheap; they are loyal to contractors who are professional.

There is a fourth, quieter objective: the organization stops paying twice for the same lesson. Every project contractor owns a history of projects that burned money, and in most companies that history is filed rather than studied. An organization whose training function turns last year's losses into next year's curriculum has converted its most expensive asset – its mistakes – into its least expensive teacher.

A black zero is not enough

One refinement of the profitability objective deserves its own section, because it is the point at which well-meaning project managers most often go wrong. A customer project that “makes no loss” feels like a success. In Project Business, it is not. The reason lies in how a contractor's costs are structured – and in a costing method every project manager at the customer interface should understand.¹⁰

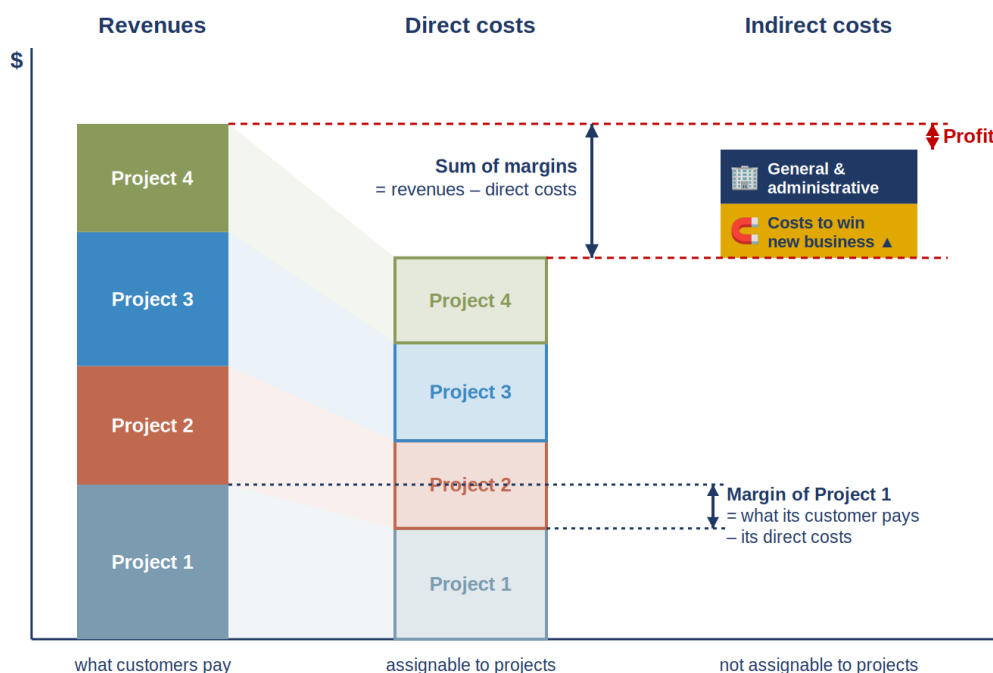


Figure 2: Marginal costing for a portfolio with four projects: each project's contribution margin is its revenue minus its direct costs; the margins jointly must cover the indirect costs – general & administrative plus the rising costs of winning new business; only the remainder is profit.

Marginal costing separates two kinds of cost. Direct costs – labor on the project, material, subcontractors – arise because a specific project exists, and can be assigned to it. Indirect

¹⁰ (Lehmann, 2024)

costs – administration, facilities, insurance, salaried staff between assignments, and, importantly, the cost of winning new business – arise because the company exists, and cannot be meaningfully assigned to any single project. What a project truly contributes to the company is therefore its contribution margin: revenue minus direct costs. The margins of all projects in the portfolio flow into one pool; out of that pool, the indirect costs must be paid; and only what remains after that is profit.

Figure 2 shows what this means for the individual project. A project whose revenue merely covers its direct costs – the “black zero” – contributes nothing to the pool. It occupies capacity, consumes management attention, and adds risk, while the other projects pay its share of the rent. A portfolio of black zeros is a company in liquidation that has not noticed yet.

And the bar the margins must clear is not fixed – at present, it is rising. Projects are temporary; follow-up revenue must be won while the current work is still running, and in today’s market this acquisition is becoming markedly more expensive: more bidders per tender, longer sales cycles, more elaborate proposals, more unpaid pre-sales engineering. Every one of these costs lands in the indirect pool. A margin level that covered the overheads comfortably three years ago may no longer do so today, with unchanged discipline on the projects themselves.

Two practical consequences follow for the trained project manager. First, pricing decisions – on the bid, on every change request, on every “small favor” – are made against the margin the project must deliver, not against the comfort of a black zero. Second, the popular reflex of allocating indirect costs down onto the individual projects and then terminating the apparent “loss-makers” is recognized as the trap it is: the overheads do not leave with the terminated project, but its margin does, and the remaining projects inherit the burden. Margin thinking of this kind is not controllers’ esoterica. It is the daily arithmetic of everyone who negotiates with a project customer – and it is teachable.

Objectives for the training department

Which brings the argument to the department this article is ultimately addressed to – whether its door sign reads training, learning and development, personnel development, corporate academy, PMO, or center of excellence.

In many project contractors, this department currently has objectives imposed on it from outside: The latest article in HBR, or Fast Company tells management the most fashionable training need of the day, and by following it, the department loses its ability to justify its budget.

The staircase suggests that training needs should be determined from within. They should be defined following a clear assessment of the gaps, particularly in the challenging time we’re in, which threatens the organization’s future and its employees' jobs.

- ♦ The first objective is to claim the gap. The missing flight of stairs is a knowledge gap, knowledge is the training department's product, and no other function in the company can close this particular gap. Claiming it changes the department's position in the budget discussion from defendant to expert witness: the conversation is no longer about what training costs but about what the untrained gap costs.
- ♦ The second objective is to change the unit of account. Training functions traditionally report activity: participant-days, courses delivered, satisfaction scores. Management, meanwhile, thinks in business results, and the literature on training evaluation has insisted for decades that the two must be connected: reaction and learning are necessary, but behavior on the job and results in the business are what justify investment.¹¹ Project Business makes this connection unusually easy, because the relevant results are discrete, countable events: a change request filed that would previously have been absorbed, an acceptance obtained on the planned date, a payment milestone invoiced on schedule, a claim defended with documentation that existed because someone knew to create it. A training department that reports in these units speaks the language of the people who decide its budget.
- ♦ The third objective is evidence before scale. Nothing persuades a management board like a result inside its own house. One pilot group, one real customer project, a small set of contract events defined in advance and tracked – and a one-page report in business terms at the end. Evidence from a pilot beats projections from a concept in every budget meeting I have witnessed.
- ♦ The fourth objective is durability. A curriculum that lives in one trainer's head leaves with that trainer. A curriculum anchored in an externally defined, examinable standard – supplemented by the company's own cases – survives personnel changes on both sides and gives management, and where useful the customer, a verifiable statement of what the workforce can do. Externally verifiable competence has a second effect that pure in-house training lacks: it is visible in bids, and project customers read visible competence as reduced risk.

A roadmap from analysis to evidence

How does a training department translate these objectives into a program? The roadmap I recommend has three stages, and its logic is the logic of the staircase: repair and complete, in the order in which the money flows.

¹¹ (Kirkpatrick & Kirkpatrick, 2006; Phillips, 2003)

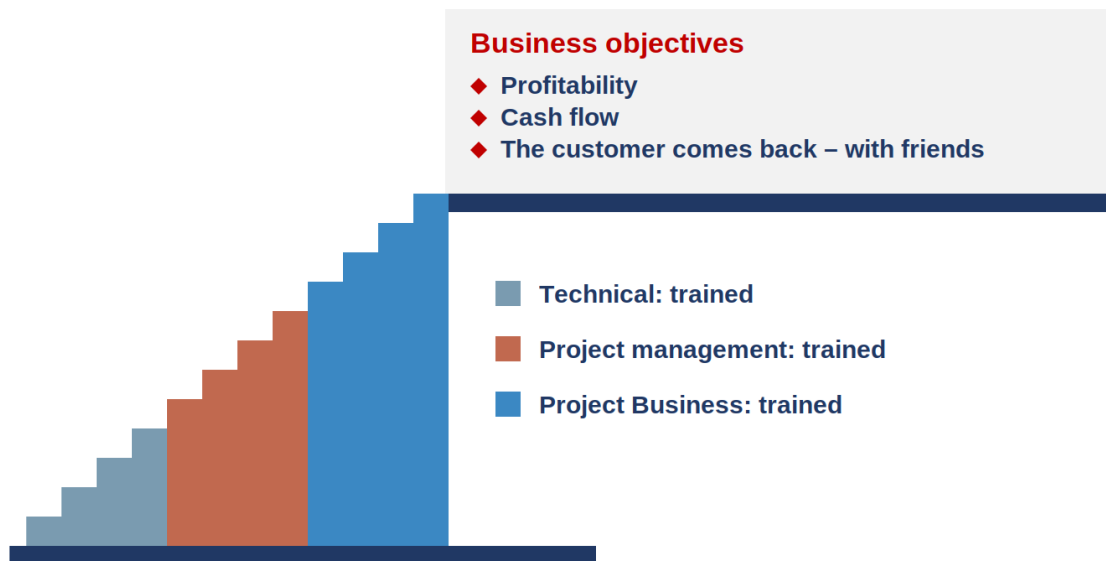


Figure 3: The objective: trained on all three flights of stairs. The roadmap builds the missing flight and repairs the second one.

- ♦ Stage one is analysis and a small beginning. Before any curriculum is written, the department establishes where its own company's money has been burning: which contract events were missed in recent projects, which clauses caused surprises, which phase of the customer relationship produced the disputes. The company's own loss history is the best needs analysis available, and it costs nothing but candor. In parallel, a small pilot group starts – deliberately small, deliberately attached to a live customer project, with its tracking measures defined before the first training day.
- ♦ Stage two is the foundation: a systematic qualification in Project Business for the project managers who face customers, covering the third flight of stairs as a coherent whole – contracts, changes and claims, acceptance, money and margin, and the conduct of a cross-corporate relationship in which the parties' interests are partly aligned and partly opposed. The foundation should end in an examination against an external standard, for the durability and visibility reasons argued above. It should be the same foundation for everyone in the role, because a shared vocabulary is itself a result: two project managers who both know what "constructive change" means coordinate differently from two who do not.
- ♦ Stage three is electives on the foundation, chosen from the analysis in stage one rather than from a catalog. Typical candidates: repairing the cracked second flight where the project management basics are genuinely missing; contribution margin and cash-flow forecasting in depth; managing subcontractors, so that the discipline demanded upward is also exercised downward; international Project Business with its contract cultures and jurisdictions; risk management for a business whose defining risks are commercial rather than technical; and – the module only this

company can hold – its own expensive mistakes, taught as cases by the people who lived them.

The sequence matters. Analysis first makes the program specific to the company. The pilot makes it credible. The foundation makes it durable and visible. The electives make it complete. And at every stage, the department reports in contract events, not participant-days.

Earned, not burned

The competence gap in Project Business is neither hidden nor mysterious. It sits exactly where the money is decided; it exists because nobody's education covered it, and it consists of mindset and practical knowledge – the two things a training function exists to build. For the individual project manager, closing it means recognition, literacy, a money model, and standing. For the organization, it means margins that survive delivery, cash that arrives on time, and customers who return. For the training department, it means a change of position: from a pure cost center explaining itself to the strategic function that protects the place where the company earns its living.

When management asks what the department contributes to business success, the staircase provides the answer in one sentence: we make our customer projects more profitable. Good times forgive the gaps this article has described. The present times do not – neither for the projects, nor for the department that could have closed them.

Appendix: What Is Project Business?

Many of today's projects are no longer internal endeavors. In a world shaped by global supply chains, outsourcing, and cross-border collaboration, projects are increasingly delivered by networks of companies. These projects are not just technical undertakings – they are commercial ventures.

Project Business arises when two or more companies team up to perform a project under contract.¹² It operates at the boundaries between organizations and often involves diverse legal systems, cultures, and moral compasses. Some project networks are simple; others are complex and fragile ecosystems with dozens, sometimes hundreds of organizations involved.

Though long overlooked, Project Business contributes an estimated 20% to 30% of global GDP and employs more project managers than internal projects. It deserves far more attention – not only for its scale but for the unique challenges it poses.

Traditional project management handbooks typically address internal projects within organizations. By contrast, project business takes place across corporate boundaries, introducing commercial, legal, and relational complexities that such works only partly cover. Project business (cross-corporate, customer-contractor) has different challenges and rules – success depends here not only on planning and execution, but on commercial acumen, legal awareness, and a deeply cooperative mindset. Trust must be built among parties with differing interests and asymmetric power to enable collaboration toward shared success.

The risks in Project Business go beyond deadlines and deliverables – they include cash flow instability, legal exposure, reputational damage, and contractual disputes. Where information is asymmetrical and objectives diverge, the project manager must act as negotiator, strategist, and builder of partnerships.

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About The Author

Oliver F. Lehmann
Munich, Germany



Oliver F. Lehmann, MSc, ACE, PMP, is a project management educator, author, consultant, and speaker. In addition, he is the owner of the website , a non-profit think tank for professionals and organizations involved in cross-corporate project business.

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 across Europe, the USA, and Asia in methodological project management, with a focus on certification preparation. He has also been a visiting lecturer at various universities including 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.

Oliver believes in three driving forces for personal improvement in project management: formal learning, experience, and observations. He resides in Munich, Bavaria, Germany, and can be contacted at oliver@oliverlehmann.com.

Oliver Lehmann is the author of the books:

- "[Situational Project Management: The Dynamics of Success and Failure](#)" (ISBN 9781498722612), published by Auerbach / Taylor & Francis in 2016
- "[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>