Earned Value Management

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Introduction

The Project Management Body of Knowledge states, earned value analysis and other methods of project variance and trend analysis may be used for monitoring overall project performance. Outcomes from these analyses may forecast potential deviation of the project at completion from cost and schedule targets. Deviation from the baseline plan may indicate potential impact of threats or opportunities (2013). For the purpose of this paper the focus will be on best practices for establishing and reporting on the value analysis and related calculations. These values can included but are not limited to earned value, planned value and actual cost. This paper will also discuss how to ensure stakeholder understand of the meaning of the data they are presented with. A summary of best practices and stakeholder understanding will be provided.

Best Practices

The main purpose of earned value analysis is to measure continuous project performance and predict the final cost and schedule results. The earned value analysis displays the performance trends on the project. It allows calculations to occur at the project level as well as the detail level and can display different categories of performance (Dow & Taylor, 2008). The key to accomplishing the analysis is to measure the actual effort of work versus the baseline. This will give you a snapshot of current performance and show any possible future trends.

One of the primary best practices is to conduct an earned value analysis. The earned value analysis tool can generate earned value S-curves, which are great for presenting the true performance of your project (Dow & Taylor, 2008). Earned value management (EVM) delivers three distinct values for those who fully understand how to use it: The first and primary benefit is the ability to predict project success or failure early enough in the project to implement

successful corrective actions. The second value is permitting simplified reporting. The third

benefit is the capability to forecast cash flow requirements (Fostel, 2011).

Earned value reporting can be delivered in various ways. Some of these reports include,

cost variance report, cost performance index report, schedule variance report, schedule

performance index report, s-curve report, schedule and cost forecasting report. These reports

should be used and distributed based on your stakeholder/project communication plan.

However, before sending out your reports you should consider the data that is being presented

before you. Since you will have the earned value data before anyone else, you should take the

time to make any corrective actions that are necessary in order to mitigate the need to report

discrepancies. The earlier the corrective action is taken, the less it costs (Fostel, 2011).

In order to master the earned value analysis process you must be able to complete the

following steps. First, ensure there is a project schedule created and maintained on the project.

Second, ensure you cost load the original project schedule. Third, create a baseline schedule

from the original schedule. Fourth, create a list of performance planning questions to help you

focus your earned value reporting. Finally, ensure you understand the required earned value

calculations and what the data is reporting. Once you have completed these step you can create

your earned value analysis tool that will help you with project success.

Stakeholder Understanding

Once you have mastered value reporting techniques, the question now is how do you

present it so your stakeholders so they understand it? The answer is easier than you would think.

It all boils down to effective communication. When sitting down with your stakeholders to

determine their communication needs you must also define their reporting requirements and how

they would like information to be presented to them. Once you get a good idea of how they want the data presented it is then up to you to ensure it is easily understood.

You can ensure the message that the value analysis represents is understood by using simplified reporting techniques. Some of these techniques include using single sheet reporting for earned value (EV). Stay away from the grouping of project data when communicating value analysis. The extraneous data not related to your EV report should not be included. Most training courses on earned value, when teaching how to create reports, provide a single sheet of base data (Fostel, 2011).

Another method to ensure understanding is to conduct staff meetings. These meetings should be focused on your EV report. Your first meeting is strictly for team members to become current on the project's performance, the second meeting is for the customer to become current on the project's performance. In each of these meetings, action items could result for either you or your team members from reviewing and discussing the project performance (Dow & Taylor, 2008). These meetings will help ensure understanding of the value analysis across the board and help with process success.

<div align="center">**Summary**</div>

Value analysis reporting is significant to project success. Knowing and understanding the best practices on how to plan, implement and utilize value analysis is crucial. Without a good metric to evaluate your projects status you are doomed for failure. It is equally important to ensure the stakeholders fully understand the information being reported. There are many ways to help ensure understanding but one of the best approaches is to keep your reports simplified. The easier the information is to understand the more trust and faith you will gain with your

stakeholders. Overall, ensure you have a good value analysis reporting method established that can be easily and clearly understood.

References

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