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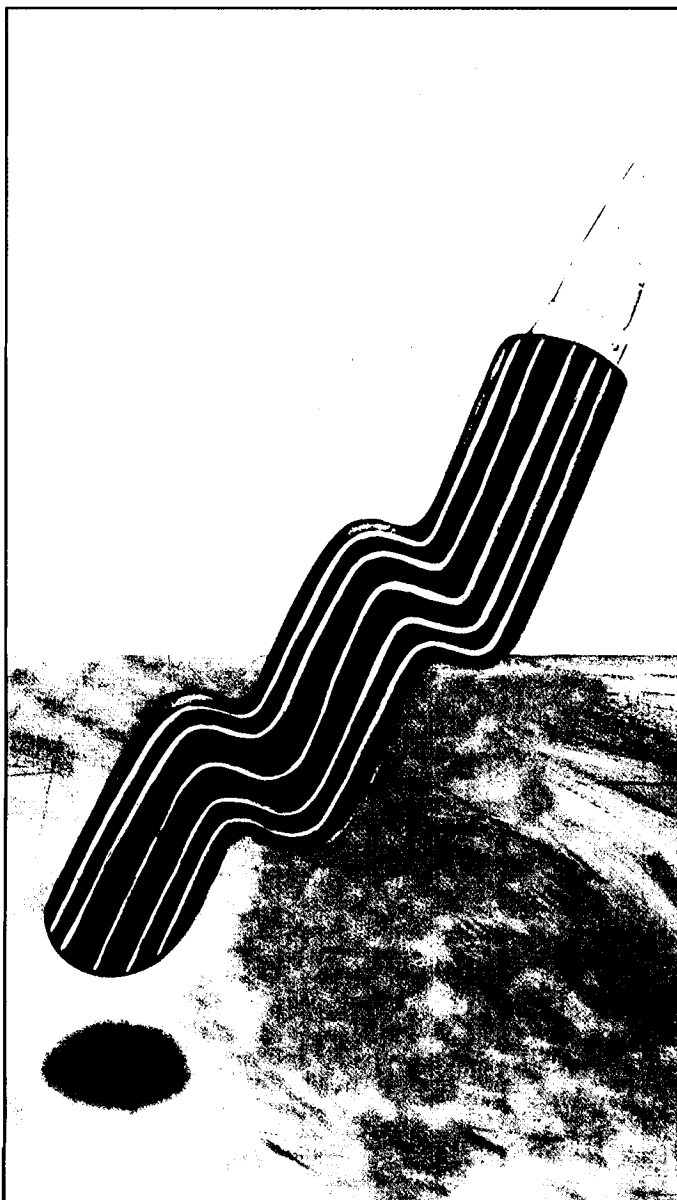
EARNED VALUE MANAGEMENT



BY MARGO S. VISITACION

Debunking Commonly Held EVM Myths

EVM and project management best practices together may help organizations make appropriate project adjustments, steer clear of project pitfalls, and, ultimately, achieve project success.



THOUGH EARNED VALUE MANAGEMENT (EVM) IS AN

effective forecasting tool, its assimilation and adoption rate have been alarmingly slow, and there is a disheartening disconnect between the value placed on EVM by the federal IT community and the actual steps taken by federal agencies to implement it.

The Office of Management and Budget (OMB) has a clear position: EVM, a methodology that integrates cost, schedule, and technical performance to improve project success, is an integral tool. Several years ago, the OMB issued a mandate that by December 31, 2005, all federal IT projects over \$20 million must employ EVM—a clear affirmation of EVM's value.

However, on the agency side, there didn't seem to be any rush to get with the EVM program. In fact, a November 2005 survey conducted by Primavera Systems noted that only 33 percent of federal agencies planned to train or hire personnel skilled in EVM in the coming 12 months, fostering skepticism that these bodies would be in compliance with OMB regulations.

Since then, while the Department of Defense (DOD) has embraced EVM as a standard for reporting project health, there are many agencies on the civilian side that are still struggling to incorporate it into their policies. The source of this misplaced apprehension lies partially in an incomplete understanding of EVM.

In this article, we will examine commonly held views surrounding EVM and separate the fact from the fiction. And just as agencies should not regard EVM as complicated and abstruse—it is actually a very intuitive, quantifiable process—it is also important that they have realistic expectations.

By monitoring planned value, earned value, and actual costs, EVM can successfully predict project outcomes and even avert project failures; however, it is still not an instant solution. Without thorough, well-planned implementation and without a solid project management foundation, EVM is like a potentially effective power tool wielded in the hands of an amateur.

Addressing the Myths and Restating the Facts

MYTH	FACT
<p>Implementing EVM means that projects will be on time and on track, 100 percent of the time.</p>	<p>There's no doubt that EVM tips the scales toward project success by enabling managers to pinpoint problems in cost and schedule early on and to make appropriate adjustments. Nevertheless, a myriad of other factors, such as funding, red tape, and even unpredictable weather emergencies, can get in the way. As a result, it's best to stay organized and have well-thought-out contingency plans.</p>
<p>EVM practices are distinct from project management practices, and as such, successful EVM requires no prior project management knowledge.</p>	<p>EVM and project management processes actually go hand-in-hand. In fact, to have a successful EVM experience, organizations should implement project management best practices. For example, creating a work breakdown structure (WBS) for EVM is closely related to the project management process of scope management. Similarly, program scheduling—an EVM process—is contingent upon skilled time, cost, and resource management.</p>
<p>Through the use of EVM, project cost overruns can always be recuperated.</p>	<p>While EVM can pinpoint problems and problem indicators early on, helping steer projects back on track, there is a limit to its recuperative powers. In fact, EVM experts agree that after a project is 15 percent complete, significant cost overruns cannot be made up, and the original scope of work cannot be delivered on budget. At this point, project managers must decide whether it is worth it to devote additional resources to the project, or whether it makes better sense to cut their losses and allocate resources elsewhere.</p>
<p>"Our projects aren't 'big' enough for EVM."</p>	<p>EVM is scalable, and all projects, regardless of size, can benefit from its effective use. When implementing EVM, project managers should define the scope of their projects and then scale the detail of their WBS to match their projects' complexity. Additionally, providing a detailed plan and scheduling information can establish outcome expectations. No matter the size of a project, it is also important to manage expected and unexpected changes that can alter the baseline, and to have a well-defined risk management strategy in place.</p>
<p>One can count on automated EVM reports to delivery 100 percent accuracy and 100 percent reliability.</p>	<p>Automated reports are no doubt helpful by facilitating organization and giving managers significant indicators of project health. However, these reports are only as accurate as the data that they receive. Thus, organizations need to employ tested, accurate procedures for data collection and reporting. Ensuring that processes are well-thought-out and enforced, performing technology upgrades, and retaining a staff that is well versed in EVM will all contribute to the success of the methodology.</p>

It's a Fact...

Although EVM is not foolproof, it remains a critical tool for gauging and forecasting project health. Through the dedicated use of EVM and project management best practices, organizations in the federal arena and beyond have a better chance of noting variance in advance, making the appropriate adjustments, steering clear of project pitfalls, and, ultimately, achieving project success. **CM**

About the Author

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