Best Practices in Estimate Development and Stakeholder Education

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Abstract

Students in PGMT 502 are tasked by Dr. Stein to write a paper which will discuss the following:

- Write a paper regarding best practices for establishing estimates and reporting on the value analysis (earned value, planned value, and actual cost) and related calculations.

- Explain how you would ensure that all stakeholders understand the meaning of the numbers
This paper will attempt to establish common best practices that will assist the project manager with estimating, monitoring and controlling project elements such as scope, schedule, cost, and generating reports for project stakeholders. This paper will discuss the analytical techniques in value analysis that can be utilized to help assist in controlling cost such as: Planned Value, Earned Value, Actual Cost. These tools allow the project manager to effectively manage and track the project; adding and removing resources as needed until project completion.

The one of the keys to running a successful project, will be the project manager’s ability to estimate and track the project progress. The Project Management Plan forms the foundation.

The purpose of developing the Project Management Plan is to, “define, prepare, and coordinate all subsidiary plans and integrate them into a comprehensive project management plan; describing how the project will be executed monitored and controlled (PMI, 2013)”.

There are several tools that might assist the project manager in those tasks. The WBS or the Work Breakdown Structure provides a hierarchical outline for the project manager and facilitates evaluation of cost, time and technical performance; and form the basis of the cost account. (Gray & Larson, 2013). Once the scope is defined and the WBS is developed the project manager gets a general idea of project costs, however to monitor and control a project the project, practitioners will need to establish units of measure, control thresholds, level of accuracy, levels of precision and literally mine the work performance data. Using baselines will enable the project manager to determine if the project is going according to schedule. Baselines provide a general starting point for comparison. The baselines that are usually included in the Project Management Plan are the scope, schedule, and cost baselines. While formulating the different baselines the project manager should consider the constraints of the organizational environment they belong to; the historical information accumulated and the lessons learned from previous projects; in addition to
seeking expert advice while attempting to establish these estimates. Cost estimates are a prediction that is based on best information known at the time of the estimate. Cost estimates are typically expressed in units of currency, staff hours, staff days. Periodically cost estimates should be reviewed for accuracy, thus the iterative nature of project management. Other considerations are included in the following Table A.

<table>
<thead>
<tr>
<th>1. Work Breakdown Structure</th>
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<td>2. Project Schedule</td>
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<td>3. Risk Register</td>
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<td>4. Market Conditions</td>
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According to PMI Earned Value Management (EVM) is a common methodology utilized to combine, “scope, schedule and resource measurements to assess project performance and progress; which is commonly used method of performance measurement for projects.” EVM is comprised of three components, Planned Value, Earned Value, and Actual Costs. These principles can be applied across all industries (PMI, 2013). In the following section, we will define, and discuss Earned Value, Planned Value and Actual Costs.

**Earned Value, Planned Value and Actual Costs**

- **Earned Value** is a measure of work performed expressed in terms of budget authorized for that work. The EV is what is used to calculate the percent complete of the project.

- **Planned Value** is the authorized budget assigned to scheduled work; it is the authorized budget planned for the work to be accomplished for an activity or work breakdown structure component.
• **Actual Value** is the realized cost incurred for the work performed on an activity during a specific period.

• **Schedule Variance** measures the difference between earned and planned value of the schedule.

• **Cost Variance** measures budget deficit or surplus at any given point in time.

• **Schedule Performance Index** is a measure of scheduled efficiency expressed as the ratio of earned value to planned value

• **Cost Performance Index** is a measure of the cost efficiency of budgeted resources expressed as a ratio of earned value to actual cost.

To ensure that each stakeholder receives project reports, of the type and frequency needed the project manager should access the Communications Management plan. The Communications Management Plan is a component of the project management plan that denotes how project communications will be planned, structured, monitored and controlled. The communications plan will detail whom is responsible for communicating information, and the persons and groups receiving the information; reason for the distribution of the information; information to be communicated; communication requirements; methods of communication; escalation process; method of progressively updating and refining communication management plan over time; glossary of terms; communication constraints and flow charts. Utilizing the communications management plan the project manager can determine which stakeholders need certain communications; and the format they need this information in. By using the communications management plan, we can provide actual value, planned and other to project executives, while as the project manager assessing project team member’s efficiency by using earned value.
In conclusion it is very important to follow best practices in creating estimate and reports for stakeholders. Project documents contain the basis for providing estimates, and reports. In order to ensure stakeholder understand how the numbers on the report correspond to them, I would provide the explanation of what those number represent in regards to efficiency and proficiency of the project work completed. I would construct a project management dashboard that is applicable to the project team member’s role and responsibility. I would include definitions of Earned Value, Actual Value, and Planned Value in addition to the work performance indexes Cost Performance and Schedule Performance Indexes; in addition to how those actual number have been derived. I would also make myself available for feedback.

References

