

Earned Value Management Impact on Project Performance

Posted on September 19, 2018

Abstract

EVM is a tool that involves statistical calculations in project management. Therefore, most project managers try to avoid this tool. However, once you understand the technicalities of this tool and learn how to use it, EVM will not be as difficult as it seems. EVM helps to understand the project's progress. Analyze the performance and help you make forecast predictions. It helps to track the progress of the project, i.e., actual and planned.

Introduction

Earned value management emerged in 1966 and has become an elementary subject in project management (Blanton, 2016). It is a tool that measures the progress and performance of a given project. The project management triangle has three components: time, scope, and cost, and earned value management can assess the values of all three.

Earned value management is able to give proper and accurate figures about all three components that will help the manager and the client understand the progress of the project. Recent research shows that earned value management principles are the indicators of the success of the project. In the past few years, the importance of EVM has grown in the state departments because big public projects include a lot of finances, and the government also makes sure that the project ends on time because delaying such big projects will cause them extra money to spend. In addition, there are a lot of corruption allegations and a lot of disputes between different parties, which can be monitored and verified through EVM.

Discussion

Earned value management emerged as a financial analysis tool by the government of the United States of America, but soon, it became an essential part of all the projects that were governed by the US government (Walt Lipke, 2009). It helped a lot in project and cost management. This tool is designed in such a way that it can cater to all types of projects regardless of their size.

Application Example: Project XYZ has been assigned to a company, ABC, by the government. It was said at the initial meeting that the project should be completed in the given period of time, which is

two years. However, both the company and the government agreed upon the condition that half of the budget must be spent in the first six months after the project is started. When the project manager delivers the report after six months, it says that 50% of the project has been spent, but the work done in the first six months of the project is 25% of the total. This report shows that the project is not working well, and for the remaining 75% of the work, only 50% of the total budget is available. But if the report says that 75% of work is completed in the first six months while using only 50% of the total budget, then it is a good sign and shows that the project is working well. EVM has been designed to cater to all such issues. Through EVM, you can improve your project.

There are three basic components of EVM (Javier Pajares, 2011). That is:

1. *Planned Value*: It is also known as the estimated cost of the project. This cost is budgeted for the work that should be done in the given period.
2. *Earned Value*: It is also known as the amount that you earn by completing your project in the defined period.
3. *Actual Cost*: It is the actual amount of money that has been spent to complete the task.

Forecasting with Earned Value Management

Projects can be forecasted with the help of EVM. The following can be forecasted through EVM (Young HoonM, 2009):

1. *Estimate at completion*: As the project goes on, there come a lot of problems, which sometimes cause project delays. Due to this, the estimated cost of the project increases. EAC is the forecasted or expected cost of the given project with the passage of time.
2. *Estimate to complete*: It is the estimated amount that is required to complete the project from a given point of time.
3. *Variance at completion*: This term tells you at the completion of the project about how much money you have spent over your budget or much money you have saved.

Benefits of Earned Value Management

EVM provides a lot of benefits to organizations, sponsors, project managers, and clients as well. EVM provides better command over the components of the projects, which are cost, time, and scope. With the help of EVM, one can easily find out the glitches in the project at the initial stage and resolve those problems proactively. It gives the client a clear insight into the project and makes him confident that his project will succeed. It helps you calculate the remaining period of the project, with the help of which you can calculate the expected cost. With the help of EVM, you can easily identify the areas

in which you may face risks in the future.

References

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