



# Reducing Program Risk with Earned Value Management

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This is an abbreviated version of the report and does not contain the full content. A link to download the full report is available on the Tech-Clarity website, [www.tech-clarity.com](http://www.tech-clarity.com).

If you have difficulty obtaining a copy of the report, please contact the author at [jim.brown@tech-clarity.com](mailto:jim.brown@tech-clarity.com).

# Why Earned Value Management?

Large programs are notoriously difficult to deliver on time and on budget. But expectations are high on program managers and program management offices (PMOs) even in the face of increased complexity from multi-discipline initiatives, intense budget scrutiny, and globally dispersed supply chains.

**Earned Value Management (EVM) helps reduce risk on high cost, high risk, time-sensitive programs.** It improves a program's odds for success and provides accountability and traceability into cost and schedule variances. It adds a new level of control, oversight, discipline, and rigor to program management to prevent cost overruns, missed scheduled milestones, and late delivery dates.



*Compliance with ANSI/EIA-748 is required for DoD cost or incentive type contracts valued at or greater than \$20 million. For cost or incentive type contracts valued at or greater than \$50 million, compliance with the management attributes of the ANSI/EIA-748 32 GLs is demonstrated through a formal EVMS validation process.*

Defense Contract Management Agency Instruction 208



EVM improves program management by eliminating subjectivity. The approach lets program managers factually quantify program spending and progress. It provides a mechanism to identify and mitigate issues early before things get too far off track. It also offers a standard, proven way for customers and program sponsors to audit progress to gain confidence that the programs they're funding are on track. Many companies choose to adopt EVM to improve program success. Others are required to use EVM for specific customers, contract types, and contract values or may need to demonstrate earned value to justify billing. Either way, **EVM adds value and improves confidence in program delivery.**

# Conclusion and Recommendations

EVM helps mitigate program schedule and budget risk. It helps companies manage large, complex, time-sensitive, risky programs. Further, it's required to do business in some industries. EVM provides control, connects program data, helps monitor and correct program health, provides visibility to improve management insight, and demonstrates control to customers to increase their confidence.

EVM requires an organizational and systems investment. Today's advanced PLM systems provide an opportunity to extend existing infrastructure to connect disparate program information from schedule and cost systems, calculate EVM, and provide management insights in context with products and programs.



EVM is a standard discipline. Companies can readily find information and training from industry and government resources including:

- ANSI
- College of Performance Management (CPM)
- Program Management Institute (PMI)
- U.S. Defense Contract Management Agency (DCMA)
- U.S. General Services Administration (GSA)

Based on industry experience and research for this report, Tech-Clarity offers the following recommendations:

- **Leverage PLM** as the backbone for the EVMS, connecting EVM with programs and program deliverables.
- Look for solutions that **already incorporate the right data model, processes, and algorithms**. There is no need to create this from scratch.
- Look for a solution that offers **flexibility to extend** reporting and processes to accommodate additional customer or management needs.



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## About the Author

Jim Brown is the President of Tech-Clarity, an independent research and consulting firm that specializes in analyzing the business value of software technology and services. Jim has over 20 years of experience in software for the manufacturing industries. He has a broad background including roles in industry, management consulting, the software industry, and research.

Jim's experience spans enterprise applications including PLM, ERP, quality management, service lifecycle management, manufacturing, supply chain management, and more. Jim is passionate about improving product innovation, product development, and engineering performance through the use of software technology.

Jim is an experienced researcher, author, and public speaker and enjoys the opportunity to speak at conferences or anywhere he can engage with people with a passion to improve business performance through software technology.