

projectmanagement



Project Planning and Estimating

DJ201 0807

THE GEORGE
WASHINGTON
UNIVERSITY
WASHINGTON DC



www.esi-intl.com

© Copyright ESI International
August 2007
All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of **ESI International**.

ESI grants federal government users "Restricted Rights" (as the term is defined in FAR 52.227-14 and DFARS 252.227-7013). Use, reproduction, or disclosure of these materials is subject to the restrictions set forth in the MOBIS, FSS, or contract under which the materials were provided.

All material from *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)* is reprinted with permission of the Project Management Institute, Four Campus Boulevard, Newtown Square, Pennsylvania 19073-3299, USA, a worldwide organization of advancing the state-of-the-art in project management. Phone: (610)356-4600, Fax: (610)356-4647.

PMI® did not participate in the development of this publication and has not reviewed the content for accuracy. PMI® does not endorse or otherwise sponsor this publication and makes no warranty, guarantee, or representation, expressed or implied, as to its accuracy or content. PMI® does not have any financial interest in this publication and has not contributed any financial resources.

The names of all companies and characters used in these materials are purely fictional. Any resemblance to any existing or no longer existing company or living or dead person is not intended, and is purely coincidental.

"PMI" is a service and trademark of the Project Management Institute, Inc., which is registered in the United States and other nations.

"PMBOK" is a trademark of the Project Management Institute, Inc., which is registered in the United States and other nations.

"PMP" is a certification mark of the Project Management Institute, Inc., which is registered in the United States and other nations.

ESI International
Arlington, VA USA



Project Planning and Estimating

Notes



Workshop Objectives

By the end of this course, you will be able to—

- Use objectives and the work breakdown structure (WBS) to identify, assign, and tabulate resource requirements
- Predict costs and work times using specific levels and estimate types from the WBS
- Use the WBS to develop a network diagram
- Calculate schedules using the precedence diagramming method (PDM)
- Interpret data gained from time-phased distribution of project costs

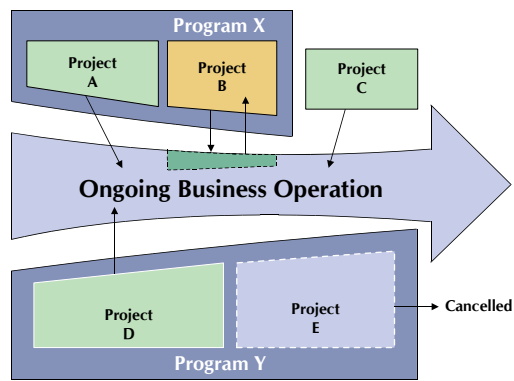
Notes



What Is a Project?

A temporary endeavor undertaken to create a unique product, service, or result.

—PMBOK® Guide, p. 5



"PMBOK" is a trademark of the Project Management Institute, Inc., which is registered in the United States and other nations.

Notes



Project Management

- *The application of knowledge, skills, tools and techniques to project activities to meet [the] project requirements.*
- *Accomplished through the application and integration of the project management processes of initiating, planning, executing, monitoring and controlling, and closing.*

—PMBOK® Guide, p. 8

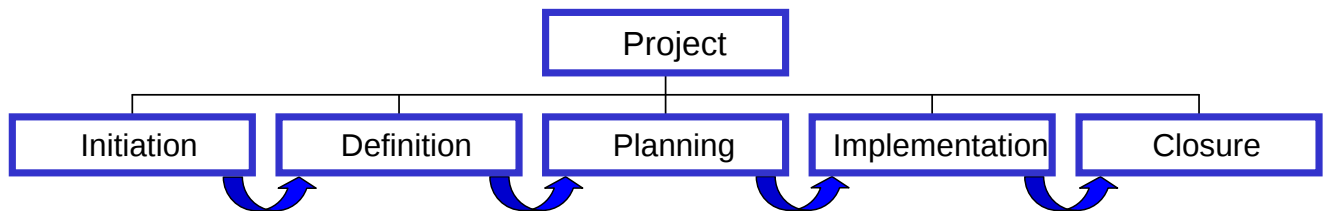
Sound project management helps ensure success.

Notes



Project Life Cycle

Project Life Cycle Used in This Workshop



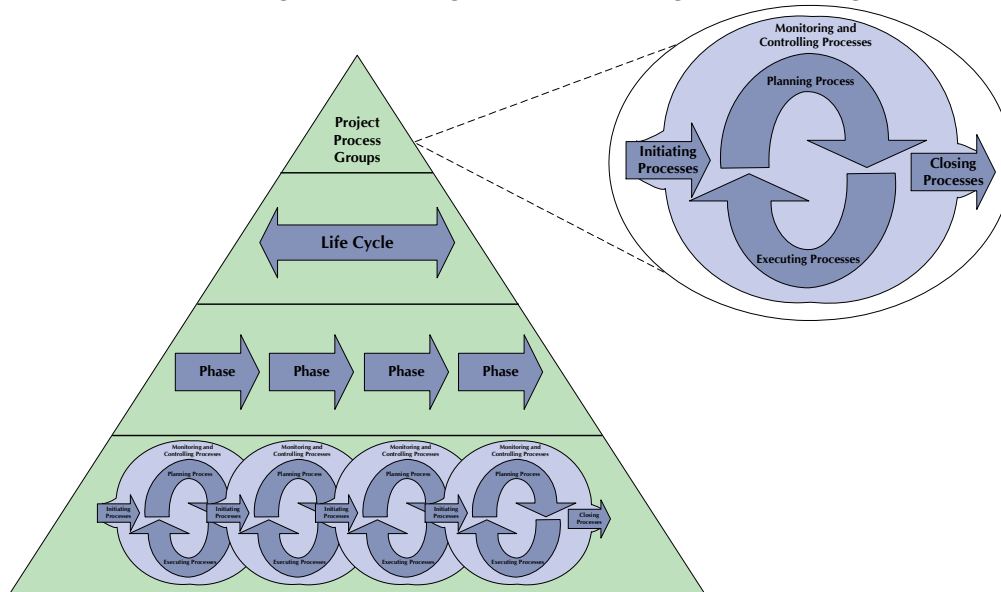
<i>Phase</i>	<i>Purpose</i>
<i>Initiation</i>	Introduce project to obtain approval and create project charter
<i>Definition</i>	Document project scope, deliverables, and methods for containing scope
<i>Planning</i>	Create plan to document the activities required to complete the project, the sequence of activities, the resources assigned to the activities, and the resulting schedule and budgets
<i>Implementation</i>	Execute and manage the plan, using artifacts created in the planning phase
<i>Closure</i>	Formally review the project, including lessons learned and turnover of project documentation

Notes



Project Management Process Groups

The PMBOK® Guide's five project process groups: Initiating, Planning, Executing, Monitoring and Controlling, and Closing





Planning Process

Those processes performed to define and mature the project scope, develop the project management plan, and identify and schedule the project activities that occur within the project.

—PMBOK® Guide, p. 367

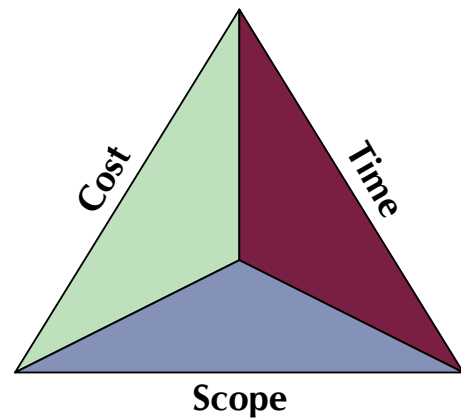


Why Scheduling and Cost Control?

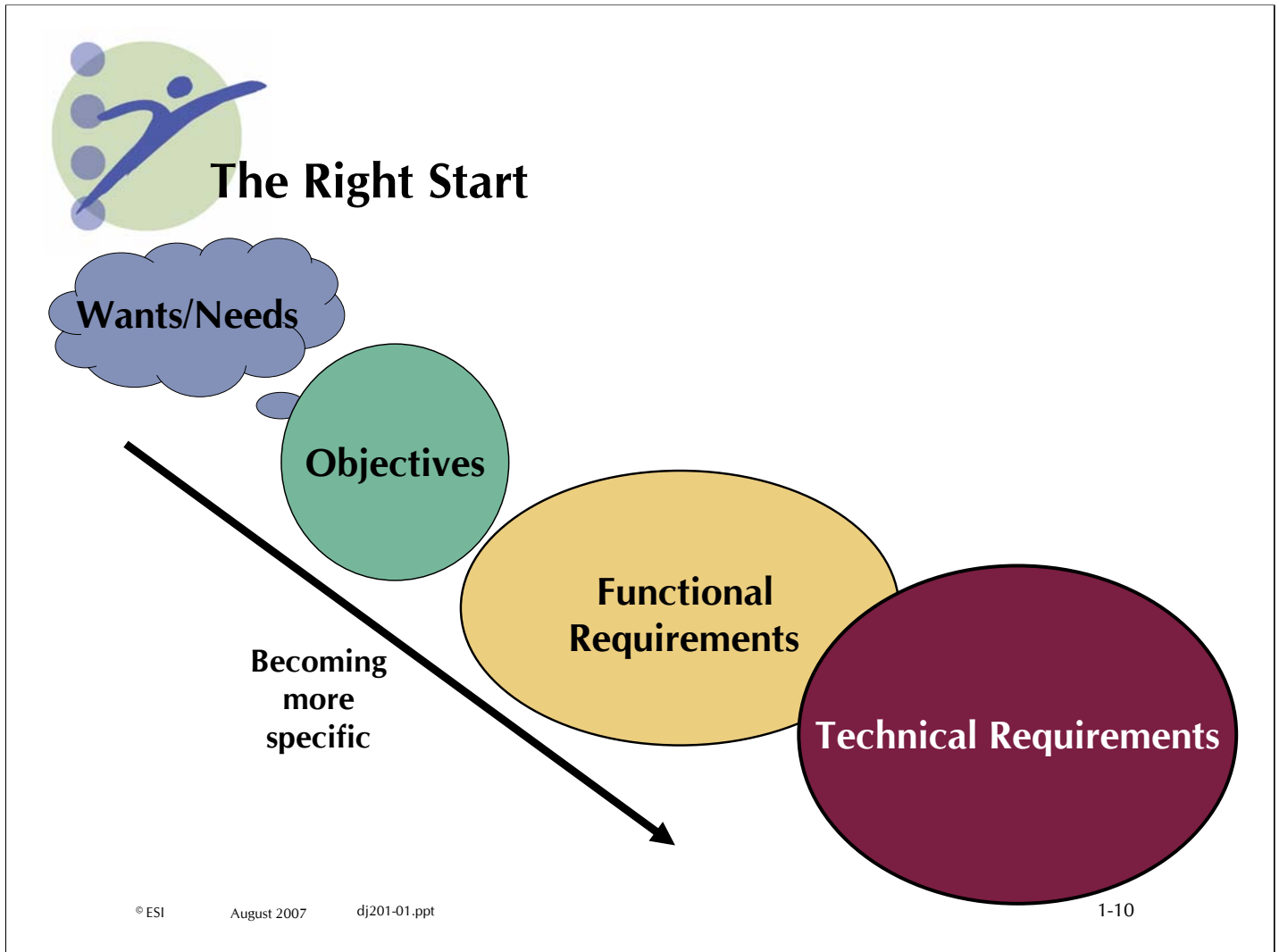
The triple constraint—

- Has the most clearly measurable indexes for project management
- Delivers business results

It's what we do!



Notes





Formulating Good Objectives

Objective

- Is an understanding between someone who needs something and someone who can provide it
- Exists at all levels (corporate, project, work team, specific task)
- Uses the SMART model
 - S = Specific
 - M = Measurable
 - A = Agreed upon
 - R = Realistic
 - T = Time-based



Exercise 1: The Office Move

You are a project manager at your company and have been asked to manage the office's upcoming move to a new building located a few miles away. Now that your goal is feasible, develop an objective statement to achieve this goal. Be SMART!



The WBS—

- *Is a deliverable-oriented hierarchical decomposition of the work to be executed by the project team to accomplish the project objectives and create the required deliverables*
- *Organizes and defines the total scope of the project*
- *Subdivides the project work into smaller, more manageable pieces of work, with each descending level of the WBS representing an increasingly detailed definition of the project work*

—PMBOK® Guide, p. 379



Organizing the WBS

- Define the project—
 - Scope
 - Tasks
 - Work packages
 - Technical baseline
- Organize the WBS to—
 - Allow for realistic estimating
 - Allow assignment to a single organizational unit or allow for exclusive responsibility
- Use tools consistent with your comfort level and project needs

Notes



WBS Review

The WBS should—

- Be consistent
- Be task oriented and start with a verb, **or** be deliverables oriented and start with a noun
- Be decomposed to your level of control
- Ensure that each work package accomplishes a discrete work element
- Make work packages SMART

Notes

Exercise 2

Develop a WBS

Use the following major categories to develop a WBS of those activities necessary to accomplish the office move: Project management, premove activities, moving activities, postmove activities.

Arrange the following tasks as work packages under the four headings described above: Select furniture; prepare office for move; hold kickoff meeting; set up utilities (wiring and so on); complete internal construction to final floor plan; plan move; move/relocate; install new furniture, communications equipment, and computers; install new signs; close out project.

Notes



Estimating Basics

- An estimate is a *quantitative assessment of the likely amount or outcome. Usually applied to project costs, resources, effort, and durations and is usually preceded by a modifier that indicates the accuracy of the estimate.*
- Resources are—
 - ❑ Skilled human resources
 - ❑ Equipment
 - ❑ Supplies
 - ❑ Budgets or funds

Source: PMBOK® Guide, pp. 360, 372

Notes



Estimating Recommendations

- Use the most accurate method available
- Communicate the level of precision
- Gain agreement on the level of precision
- Involve the team
- Assess the environment
- Base estimates on history
- Use standards (if available)
- Do not develop estimates from the budget
- Base estimates on known or committed operational plans
- Account for likely conditions and circumstances
- Base estimates on assumptions of staff, team, and working conditions
- Include date and version stamp
- Do not pad the estimates

Notes



Resource Planning

Fundamental questions

- What needs to be done?
- Who and what do we need?
- Who can do the work?
- What can do the work?
- Who and what can we get?
- What level of excellence and competence is essential?
- How will we use the resources?
- How will the resources affect schedules and costs?

Notes



Roles and Responsibilities Matrix

Resource Task	Pat	Jean	Francis
1.1.1			
1.1.2			
1.1.3			

R—Responsible
A—Accountable
C—Consult
I—Inform

Source: PMBOK® Guide, p. 206

Notes



Resources as Sources for Estimates

Who provides the best estimates?

- Outside sources
- Those who know the work
- Those who are accountable
- Those who do the work

Notes



Estimating Durations



Working time?



Personal time?

Notes



Duration Considerations

- **Effort hours:** Resource hours required to complete a task (24 effort hours = 3 resource days)
- **Working time:** Period of time in which actual work on a project or task can and should be completed (24 hours = 3 days)
- **Elapsed time:** Calendar duration, including weekends, holidays, and breaks (24 hours = 1 day)
- **Productivity:** Rate at which work is produced
- **Availability:** Resources present and ready to work
- **Contiguous duration:** Work time that is not interrupted
- **Interruptible duration:** Work time that may be interrupted

Notes



Productivity and Availability in Resource-Driven Estimates

$$\text{Cost} = \frac{\text{Effort}}{\text{Productivity}} \times \text{Unit Cost}$$

$$\text{Duration} = \frac{\text{Effort/Productivity}}{\text{Availability}}$$

Notes

Exercise 3

Estimating Task Cost and Duration

Three team members are being considered for an assignment. Your subject matter expert estimated that the task will take 90 effort hours for an individual with average productivity. The following resource matrix provides measures of individual productivity, availability, and unit cost for each team member.

	Bill			Kim			Juan		
<i>Task</i>	<i>Prod</i>	<i>Avail</i>	<i>\$/Hr</i>	<i>Prod</i>	<i>Avail</i>	<i>\$/Hr</i>	<i>Prod</i>	<i>Avail</i>	<i>\$/Hr</i>
Install communications equipment	60%	50%	\$45	120%	40%	\$80	100%	40%	\$60

Calculate the cost and duration for each person to accomplish the task.

Notes



Program Evaluation and Review Technique (PERT)

$$\text{Estimated Time} = \frac{\text{Optimistic} + (4 \times \text{Most Likely}) + \text{Pessimistic}}{6}$$

$$e_{(t)} = \frac{3 \text{ days} + (4 \times 5 \text{ days}) + 8 \text{ days}}{6} = 5.17 \text{ days}$$

Note: PERT is useful in estimating cost as well as schedule.

Notes



Cost Planning

- How much will the project cost (in money)?
- Inputs:
 - Enterprise environmental factors
 - Organizational process assets
 - Project scope statement
 - WBS
 - WBS dictionary
 - Project management plan
 - Schedule management plan
 - Staffing management plan
 - Risk register



Cost Components

- Direct
 - Labor
 - Internal
 - Contract
 - Materials and equipment
 - Other direct costs
 - Fees
 - Travel
 - Incidentals
- Indirect (overhead)
 - General administrative
 - HQ expenses
 - Fringe benefits
 - Depreciation
 - Marketing and sales
 - R&D



Estimating Accuracy

<i>WBS Level</i>	<i>Estimate Name(s)</i>	<i>Precision and Range</i>		<i>When to use</i>
		<i>An industry-standard precision and range</i>	<i>PMBOK® Guide, 3rd edition, precision and range</i>	
Top levels	Order of magnitude: Portfolio, conceptual, factored, quickie, feasibility	-25%, + 75 %	-50%, + 100%	When only very basic information is available or needed (project selection)
Middle summary levels	Budgetary: Preliminary, design, appropriation	-10%, + 25 %		When resource materials, expenses, and overhead information are available and the objective is identified
All levels	Definitive: Finalized, expense, grass roots, engineering	-5%, + 10 %	-10%, + 15 %	When detailed information is available



Scheduling Techniques

- Milestone charts
- Gantt charts
- Network diagrams

Notes



Setting Milestones

Milestones—

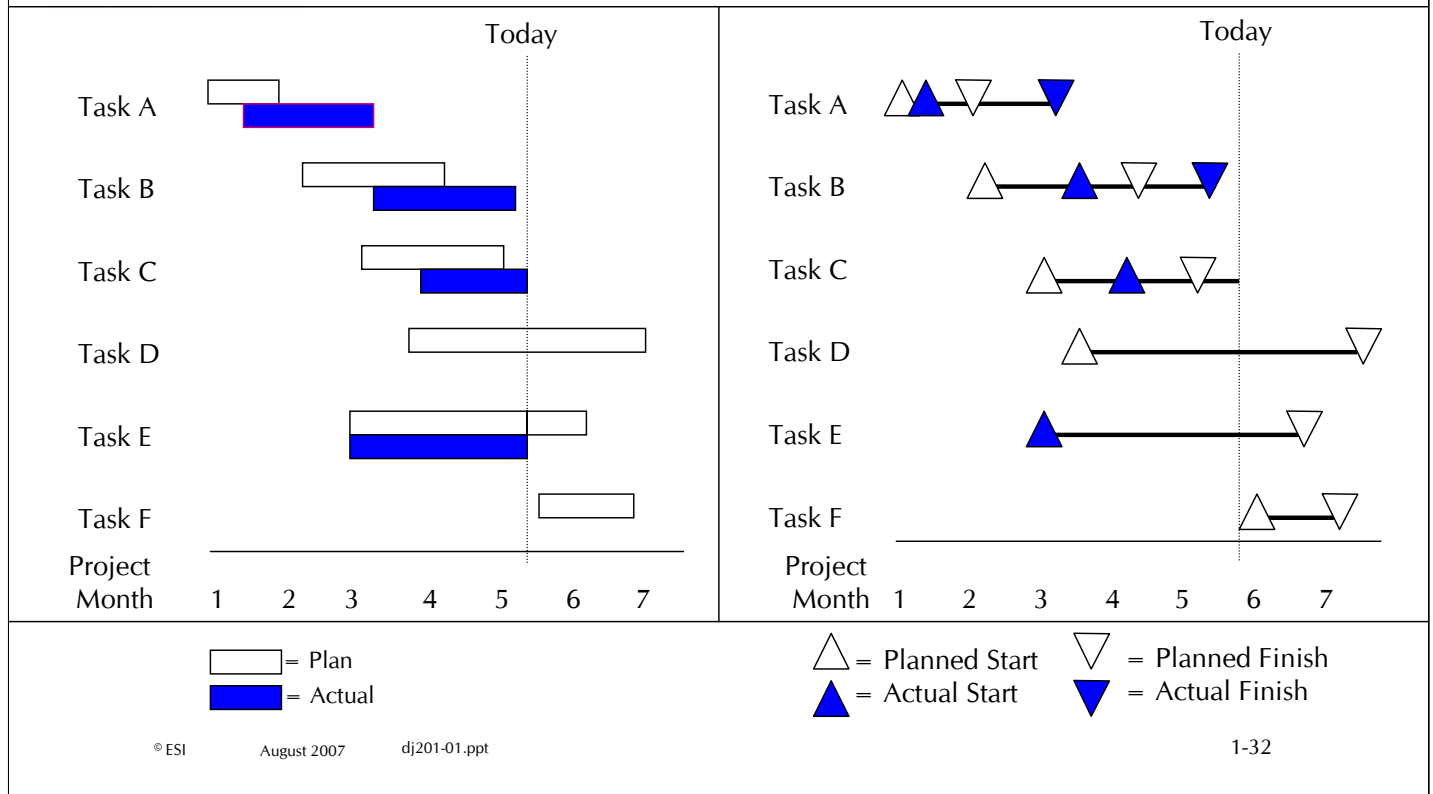
- Are significant events
- Denote achievements regarding time, money, and tasks
- Consume no time

	5	10	15	20
Task 1 complete	◆			
200,000,000 Yen spent			◆	
500 resource-hours expended				◆

Notes



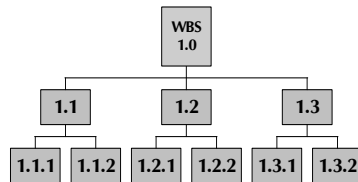
Gantt Charts



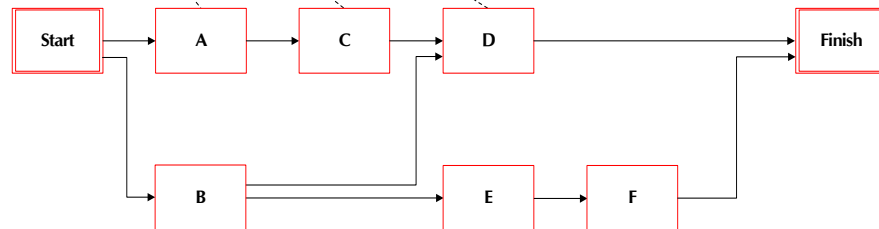
Notes



WBS and Network Diagramming



Use only the work packages to build the network schedule.



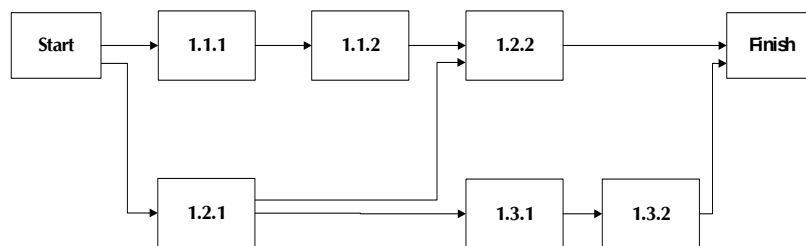
Notes



Precedence Diagramming Method (PDM)

A schedule network diagramming technique in which schedule activities are represented by boxes (or nodes). Schedule activities are graphically linked by one or more logical relationships ...

—PMBOK® Guide, p. 367



PDM uses activity-on-node (AON) diagrams

- Arrows show various relationships (finish-start, start-start, finish-finish, start-finish)
- It accommodates lag and lead

Notes

Exercise 4

Network Diagram for the Office Move

Using the WBS you developed for the office move and the durations provided below, build a network diagram for the office move.

<i>Work Package/Activities</i>	<i>Duration (days)</i>
Plan move	20
Hold kickoff meeting	1
Select furniture	25
Prepare office for move	20
Move/relocate	5
Set up utilities	30
Close out project	5
Install new signs	15
Complete internal construction to final floor plan (build out)	45
Install new furniture/communications equipment/computers	10

Notes



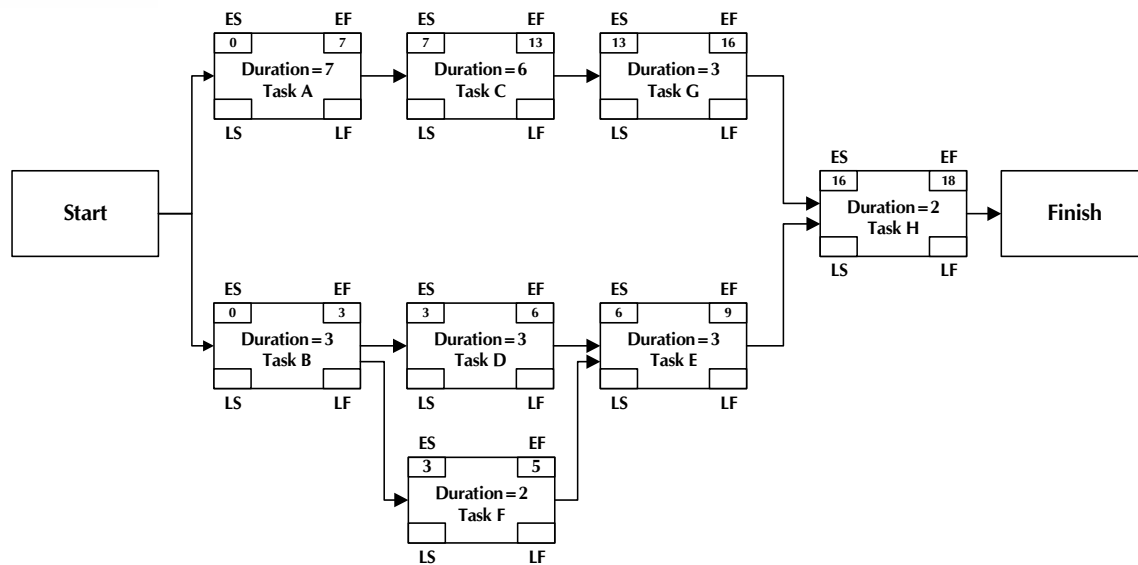
Basic Scheduling

Early start (ES)		Early finish (EF)
<i>How _____ can this activity _____ based on the network logic and constraints?</i>		
Late start (LS)		Late finish (LF)

Notes



Forward Pass

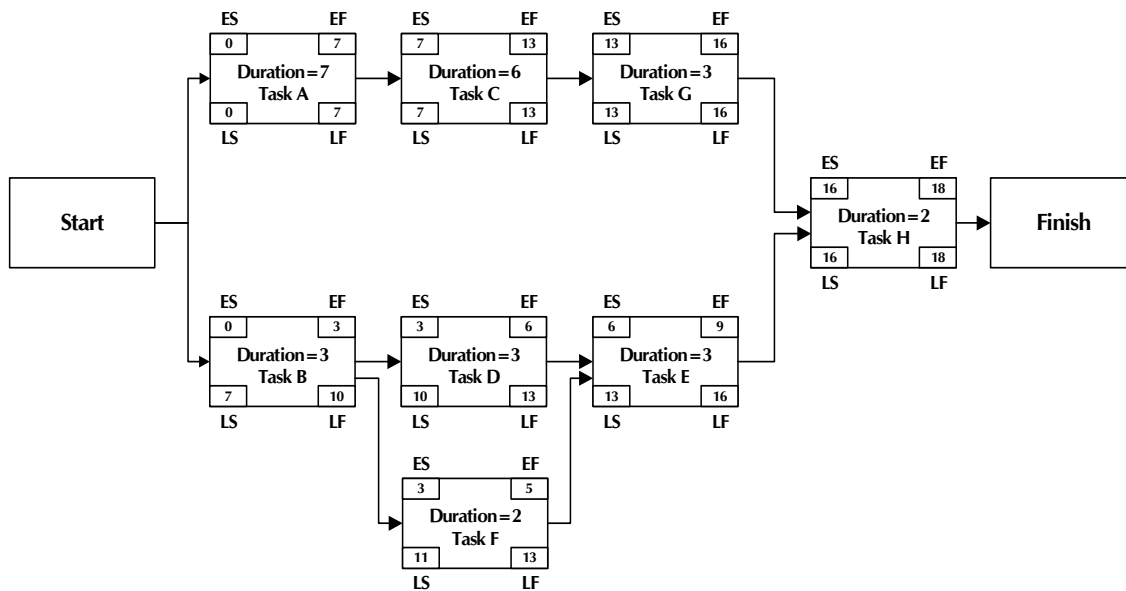


$$ES + \text{duration} = EF$$

Notes



Backward Pass



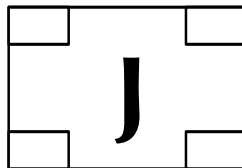
Notes



Total Float

Activities—not projects—may have float.

- Total float (also called slack, float, or path float)
 - *The total amount of time that a schedule activity may be delayed from its early start date without delaying the project finish date**
 - Late finish minus early finish ($LF_j - EF_j$)
 - Late start minus early start ($LS_j - ES_j$)



*Source: PMBOK® Guide, p. 378

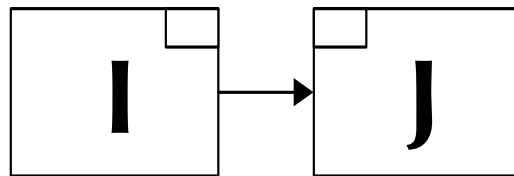
Notes



Free Float

The amount of time that a schedule activity can be delayed without delaying the early start of any immediately following schedule activities.

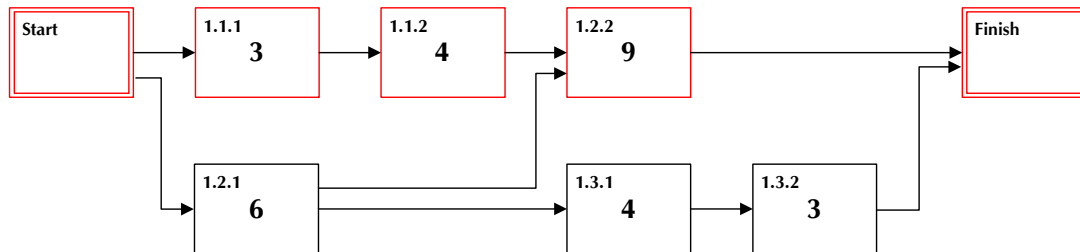
—PMBOK® Guide, p. 362



Notes



Critical Path



- Path on which any delay in project activities will affect the project schedule
- Longest of all paths through the project
- Path with the least float or slack time
- Shortest time to complete the project

Notes

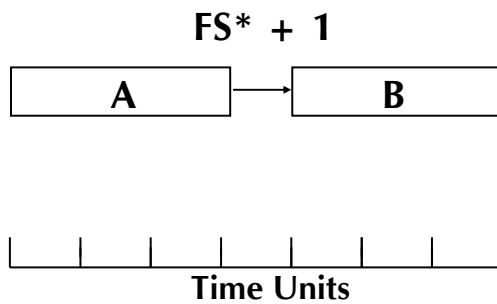


Lag and Lead Times

Lag

A modification of a logical relationship that directs a delay in the successor activity.

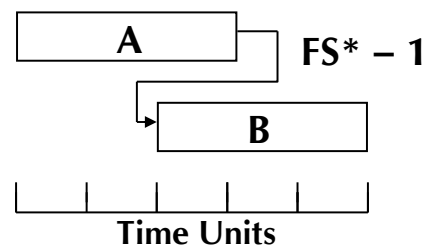
—PMBOK® Guide, p. 363



Lead

A modification of a logical relationship that allows an acceleration of the successor activity.

—PMBOK® Guide, p. 363



*FS = Finish–Start

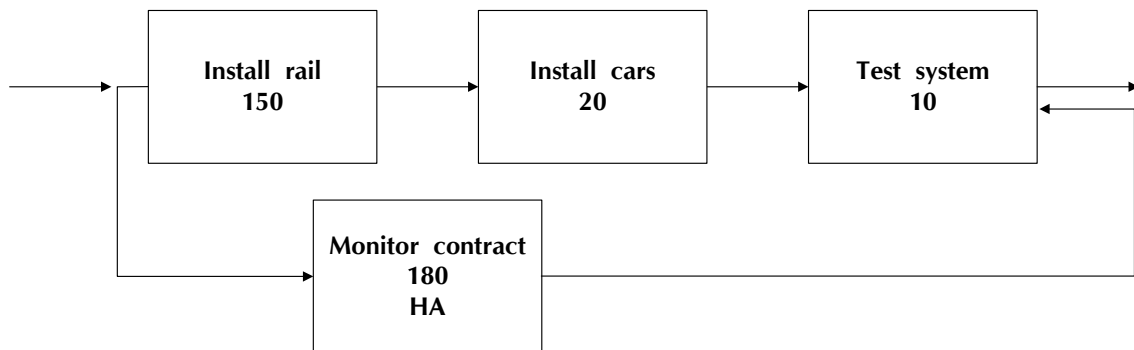
Notes



Hammock Activity

A group of related schedule activities aggregated at some summary level, and displayed/reported as a single activity at that summary level.

—PMBOK® Guide, p. 362



Notes



Techniques for Decreasing Project Duration (Schedule Compression)

- **Crashing tasks:** Reducing the duration of activities on the critical path in any possible way
- **Crashing a network:** *Schedule compression technique in which cost and schedule trade-offs are analyzed to determine how to obtain the greatest amount of compression for the least incremental cost**
- **Fast-tracking:** *A schedule compression technique in which phases or activities that normally would be done in sequence are performed in parallel**

*Source: PMBOK® Guide, pp. 145–146

Notes



Resource Trade-Offs: Leveling

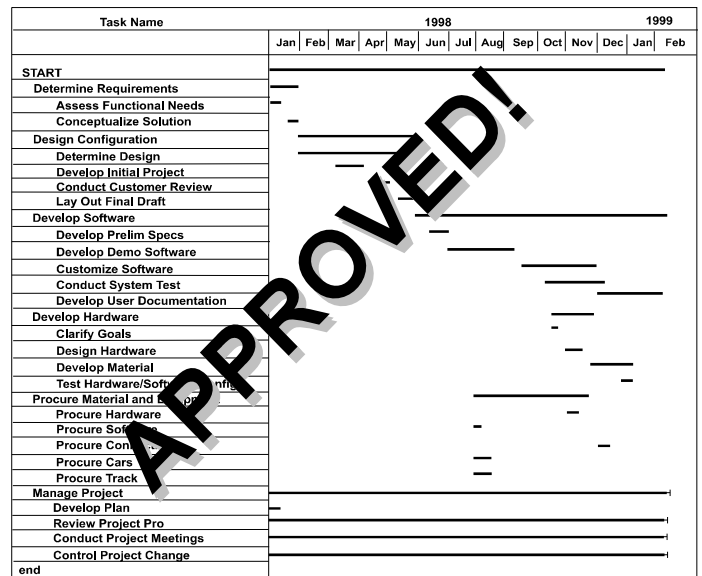
- Leveling is the rescheduling of tasks with float to resolve resource issues
- Steps:
 - Determine early and late schedules
 - Evaluate resource loading for each schedule
 - Identify free float
 - Adjust activities (tasks) on an activity-by-activity basis within the float to fit available resources
 - Determine new schedule

Notes



The Basics of Baselines

- A baseline is the original approved plan, plus approved scope changes
- The baseline establishes a reference against which project managers can measure actual project progress

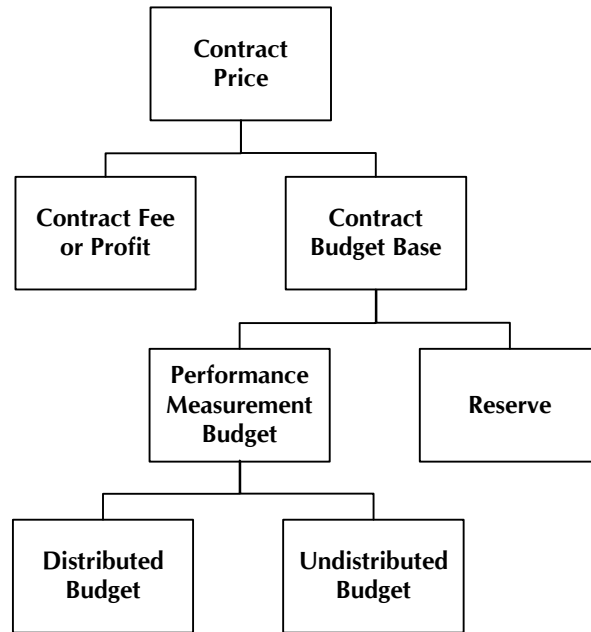


Notes



Cost Baseline

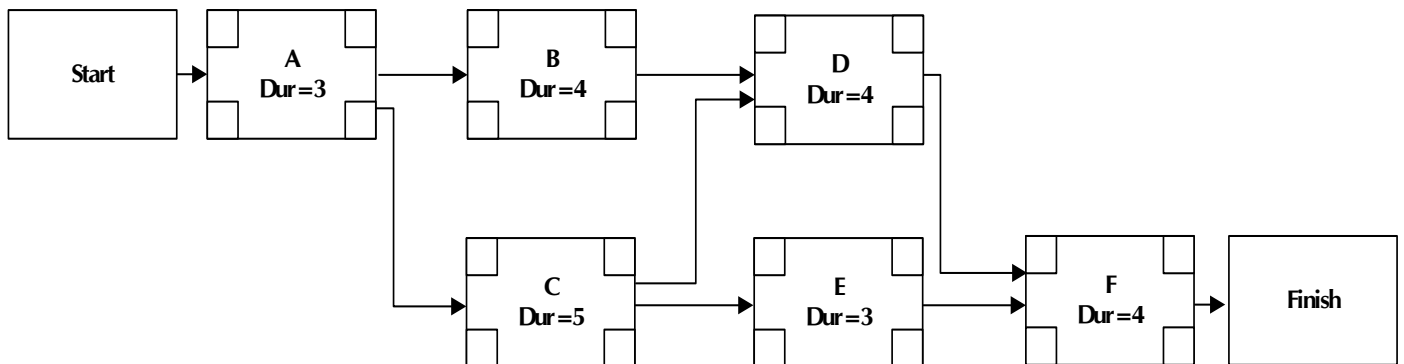
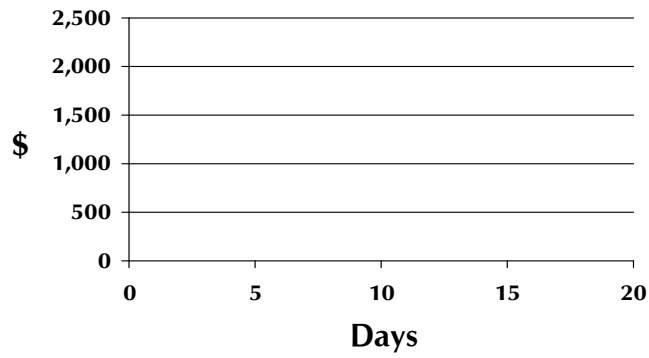
Project Budget Model



Notes



Cost Baseline Sample



© ESI

August 2007

dj201-01.ppt

1-48

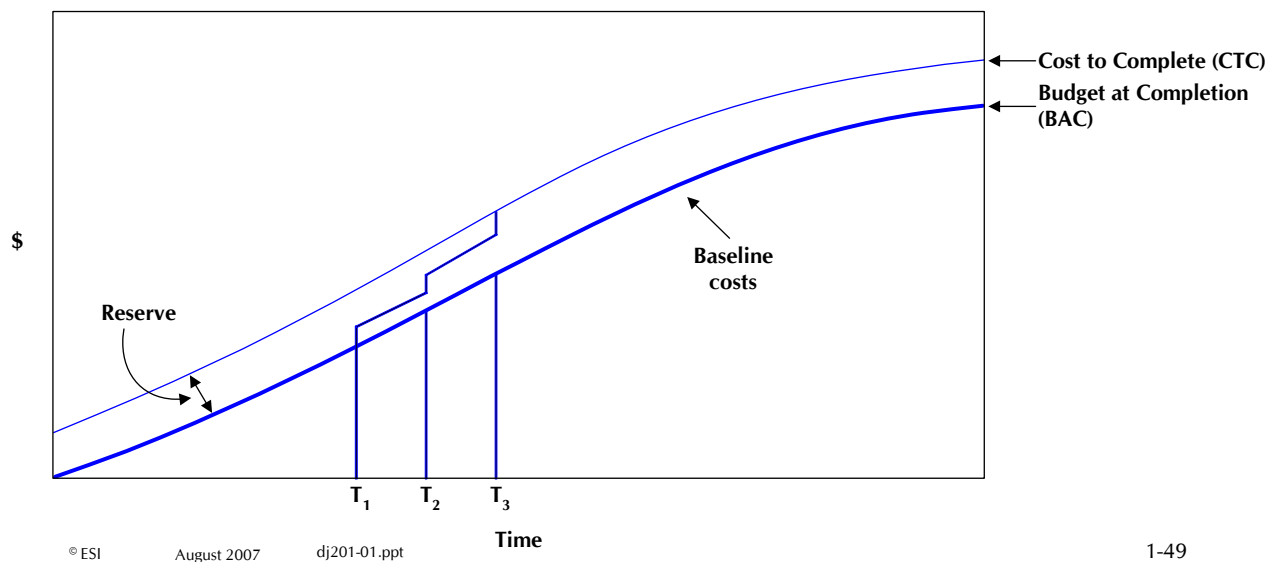
Notes



Baseline Costs Plus Reserve

Reserve is money or time provided for in the project plan to mitigate cost, schedule, or performance risk.

—Ward, p. 188



1-49

Notes

Exercise 5

Develop a Baseline

Using the graph on the next slide, develop a cost baseline based on the network diagram you created for the office move.

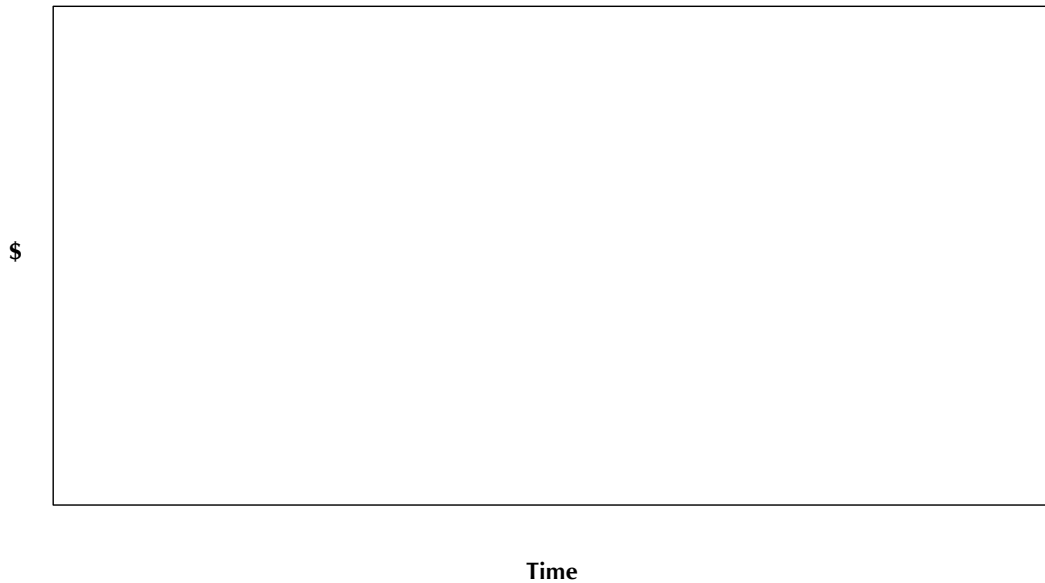
<i>Work Package/Activities</i>	<i>Estimated Cost</i>
Plan move	\$0
Hold kickoff meeting	\$50
Select furniture	\$0
Prepare office for move	\$1,100
Move/relocate	\$10,000
Set up utilities	\$150
Close out project	\$0
Install new signs	\$1,000
Complete internal construction to final floor plan (build out)	\$20,000
Install new furniture/communications equipment/computers	\$15,000

Notes



Exercise 5

Develop a Baseline (continued)





Workshop Review

By now, you should be able to—

- Use objectives and the WBS to identify, assign, and tabulate resource requirements
- Predict costs and work time using specific levels and estimate types from the WBS
- Use the WBS to develop a network diagram
- Calculate schedules using the precedence diagramming method (PDM)
- Interpret data gained from time-phased distribution of project costs

Notes



Bibliography and Suggested Reading

- Project Management Institute. *A Guide to the Project Management Body of Knowledge*. 3d ed. Newtown Square, Pa.: Project Management Institute, 2004.
- Ward, J. LeRoy. *Project Management Terms: A Working Glossary*. 2d ed. Arlington, Va.: ESI International, 2000.

Notes



**The ESI Team Appreciates Your Time.
Please visit us at Booth #59.**

Free White Papers: *Knowledge to Help You Improve Performance*

- *Saving Troubled Projects: Five Steps to Rapid Recovery*
- *The Hard Work Behind Soft Skills: Closing the Gap Between Technical and Business Expertise*
- *Eight Things Your Business Analysts Need to Know: A Practical Approach to Recognizing and Improving Competencies*
- *Establishing and Maturing a Business Analysis Center of Excellence: The Essential Guide*
- *Collaborating for Successful EVM: Five Fundamental Roles*
- *Improving Sourcing Outcomes: The Three Cs of Vendor Management Success*

Download these valuable white papers today at www.esi-intl.com/whitepapers.

Notes