



SOFPM

(A CERTIFICATION
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PROFESSIONALS)

Earned Value Management (EVM)

DISCUSSION

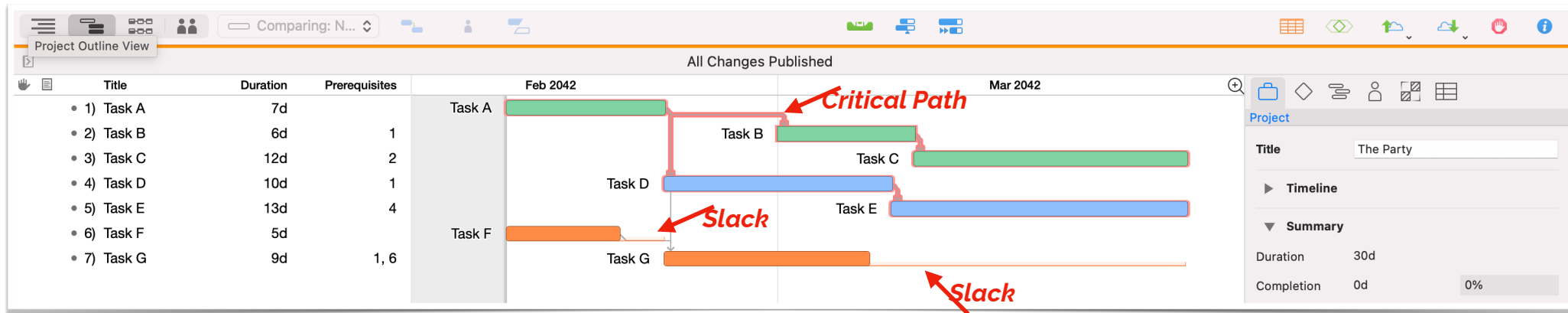
Do you currently use any kind of EVM in your projects?



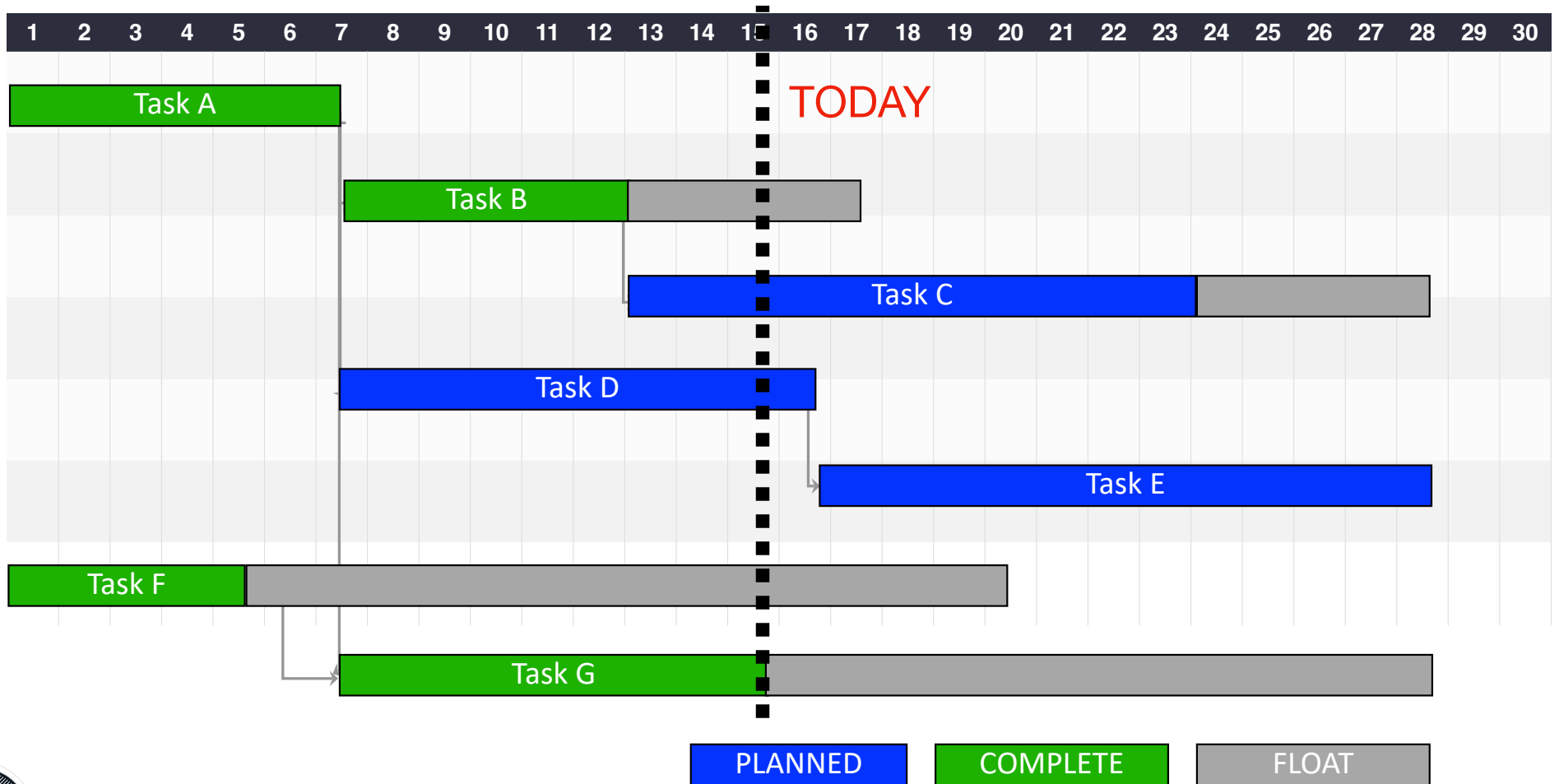
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The Problem

Gantt charts are great tools, but often don't immediately tell us what we'd **like** or **need** to know.



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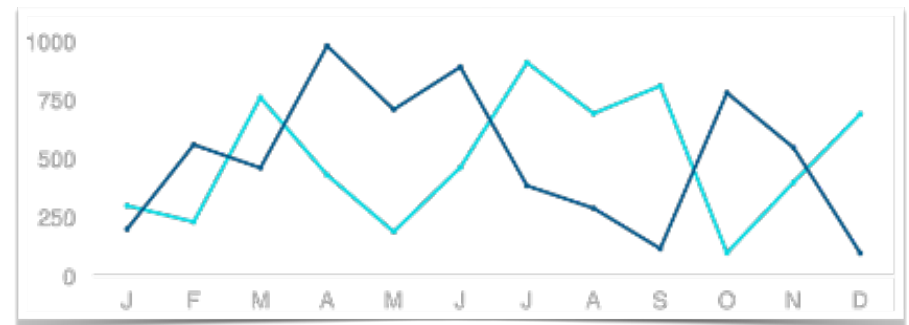
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EVM Definitions

Earned Value Management (EVM)

Statistical technique to track project **performance versus plan.**

Standardizes comparisons across diverse projects and programs.



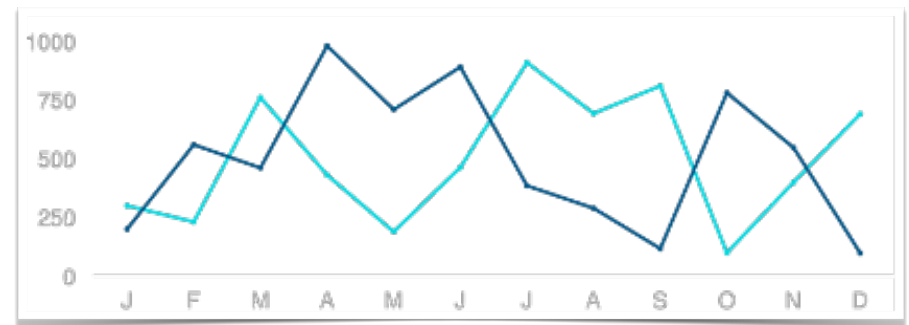
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EVM Will Show You

Percent ahead or behind schedule

Percent over or under budget

“Real” dollars and time you are ahead or behind in your project work.



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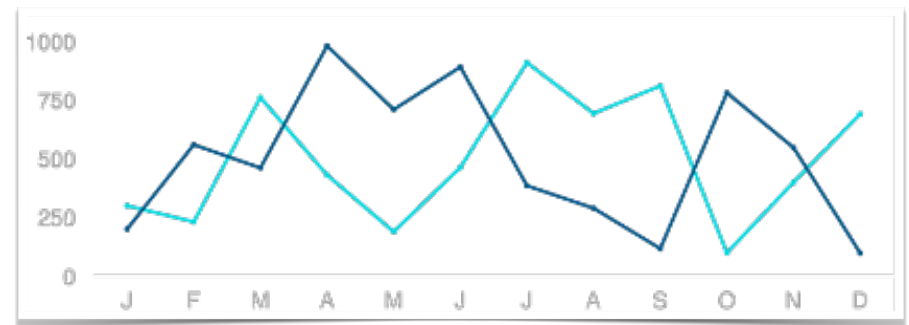
Not all numbers matter equally

Many leaders freak out over **numbers**.

There is a massive difference in being **20% late or over budget** on a:

\$10,000 project

\$10,000,000 project

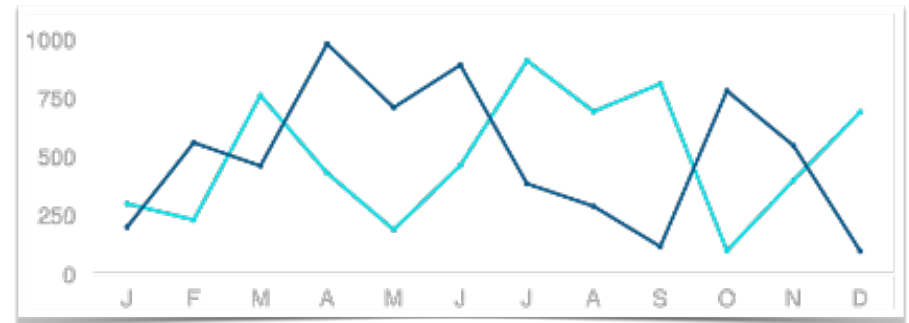


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Earned Value Management (EVM)

Crude predictor of future performance.

“Crude” as **LEADERSHIP** plays a role in delivering project outcomes.



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EVM Definition: Planned Value (PV)

Authorized **budget** for an activity or task

Generally referred to in the cumulative

Total PV for all the tasks at a point in time

The total PV for a project IS the budget

Also known as **Budget at Completion (BAC)**



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EVM Definition: Actual Costs (AC)

The **total cost** incurred and recorded in completing the work

How much have we spent?

Also known as **Actual Cost of Work Performed (ACWP)**



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EVM Definition: Earned Value

The value of work performed to date

Theoretically, the price we would fetch for the project today.

Always a percentage of BAC, but can exceed PV at a point in time



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A simple example

We need to **upgrade our living room** and TV this week before the “big game” on Saturday.

We budget and create a plan.



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Living Room Upgrade (Projectized)

Scope: Living Room Upgrade

Time: 4 days

Cost (Budget at Completion) = \$3,650

	Mon	Tue	Wed	Thu	Fri	Sat
TV Unit	\$400					
Chair		\$250				
Couch			\$1,000			
4k HDTV				\$2,000		

$$(400 + 250 + 1,000 + 2,000) = \$3,650$$



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The 'Famous' Cookie Project

Our delicious cookie project

After promising to bake **1,000** cookies for the school fair **tomorrow**, your spouse has curiously fallen ill at dinner time.



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Our delicious cookie project

Through planning, you estimate that you can make:

5 batches of **40** cookies every hour, at a cost of (no more than) **\$0.05** per cookie.



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DISCUSSION

What is the cookie project budget at completion?



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Projectizing our cookie making...

Our deliverable is: **1,000 cookies.**

5 batches each hour at
40 cookies per = **200 cookies per batch.**

200 cookies at .05 cents
each = **\$10.00 per batch.**

	Hour 1	Hour 2	Hour 3	Hour 4	Hour 5
200 Cookies	\$10				
200 Cookies		\$10			
200 Cookies			\$10		
200 Cookies				\$10	
200 Cookies					\$10
Planned Value (PV)					
Earned Value (EV)					
Actual Cost (AC)					



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Projectizing our cookie making...

Our deliverable is: **1,000 cookies.**

5 batches each hour at
40 cookies per = **200 cookies per batch.**

200 cookies at .05 cents
each = **\$10.00 per batch.**

	Hour 1	Hour 2	Hour 3	Hour 4	Hour 5
200 Cookies	\$10				
200 Cookies		\$10			
200 Cookies			\$10		
200 Cookies				\$10	
200 Cookies					\$10
Planned Value (PV)	\$10	\$20	\$30	\$40	\$50
Earned Value (EV)					
Actual Cost (AC)					



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Projectizing our cookie making...

Budget at Completion
(BAC): **\$50**

Time to complete: **5 hours**

	Hour 1	Hour 2	Hour 3	Hour 4	Hour 5
200 Cookies	\$10				
200 Cookies		\$10			
200 Cookies			\$10		
200 Cookies				\$10	
200 Cookies					\$10
Planned Value (PV)	\$10	\$20	\$30	\$40	\$50
Earned Value (EV)					
Actual Cost (AC)					



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1 Hour into our Cookie Project

At the end of the 1st hour, there are **“only” 150** edible cookies (instead of the 200 planned)

(Some were burnt and others were eaten by your miraculously recovered partner).

	Hour 1	Hour 2	Hour 3	Hour 4	Hour 5
200 Cookies	??				
200 Cookies		\$10			
200 Cookies			\$10		
200 Cookies				\$10	
200 Cookies					\$10
Planned Value (PV)	\$10	\$20	\$30	\$40	\$50
Earned Value (EV)					
Actual Cost (AC)					



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1 Hour into our Cookie Project

Our project is completely derailed!

Or is it?

How would we know (and brief this) without a long story?

	Hour 1	Hour 2	Hour 3	Hour 4	Hour 5
200 Cookies	??				
200 Cookies		\$10			
200 Cookies			\$10		
200 Cookies				\$10	
200 Cookies					\$10
Planned Value (PV)	\$10	\$20	\$30	\$40	\$50
Earned Value (EV)					
Actual Cost (AC)					



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1 Hour into our Cookie Project

What has the cookie project
“**earned**” at this point?

	Hour 1	Hour 2	Hour 3	Hour 4	Hour 5
200 Cookies	??				
200 Cookies		\$10			
200 Cookies			\$10		
200 Cookies				\$10	
200 Cookies					\$10
Planned Value (PV)	\$10	\$20	\$30	\$40	\$50
Earned Value (EV)	???				
Actual Cost (AC)					



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1 Hour into our Cookie Project

We have:

150 cookies at .05 cents each = **\$7.50**

But.... How much have we **spent** to “earn” this **\$7.50**

	Hour 1	Hour 2	Hour 3	Hour 4	Hour 5
200 Cookies	7.50				
200 Cookies		\$10			
200 Cookies			\$10		
200 Cookies				\$10	
200 Cookies					\$10
Planned Value (PV)	\$10	\$20	\$30	\$40	\$50
Earned Value (EV)	\$7.50				
Actual Cost (AC)					



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But what have we SPENT to get to this point?

We'd bought **\$9.00** worth of ingredients for the cookies.

Did we even think to capture that expense?

"Projects require up-front financing."

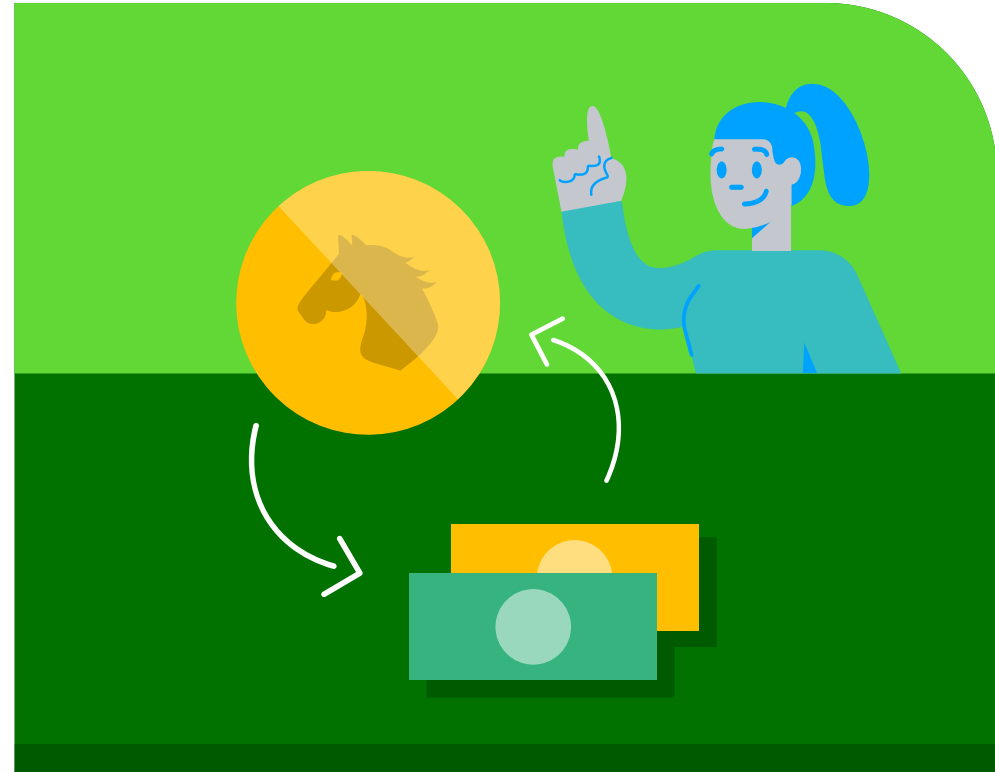
	Hour 1	Hour 2	Hour 3	Hour 4	Hour 5
200 Cookies	\$7.50				
200 Cookies		\$10			
200 Cookies			\$10		
200 Cookies				\$10	
200 Cookies					\$10
Planned Value (PV)	\$10	\$20	\$30	\$40	\$50
Earned Value (EV)	\$7.50				
Actual Cost (AC)	\$9.00				



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Why do the numbers matter?

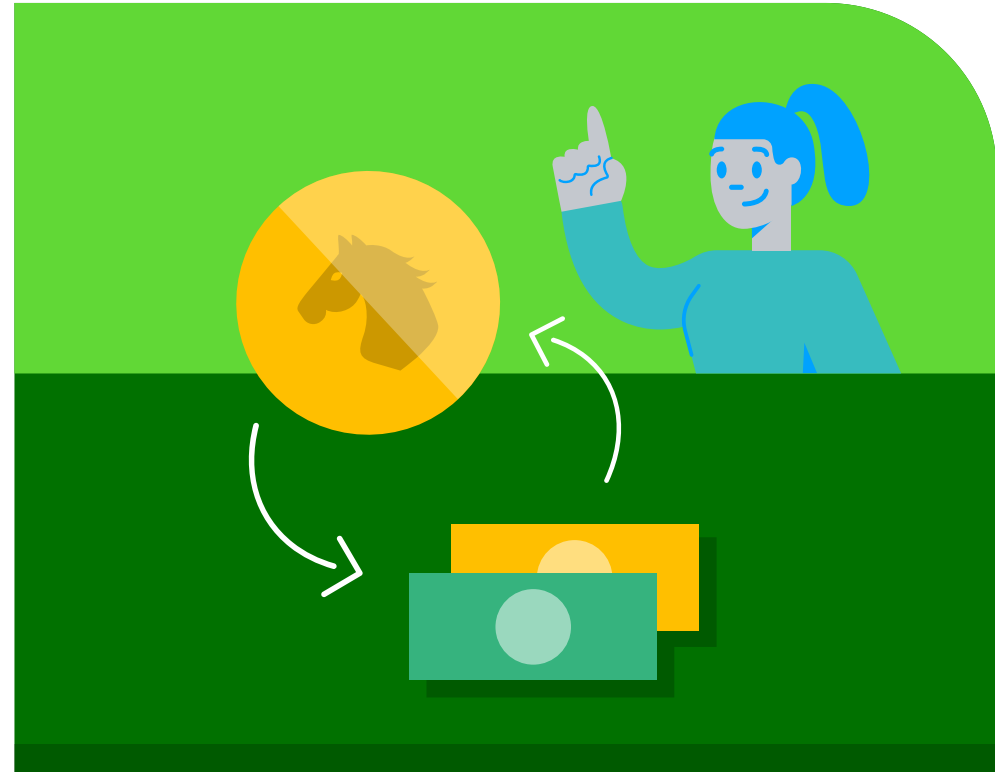
Effective project management is about understanding and directing where your **people** and **money** are **spent**.



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Why do the numbers matter?

We are going to learn the difference between **PERFORMANCE** and **VARIANCE** within your projects and programs.

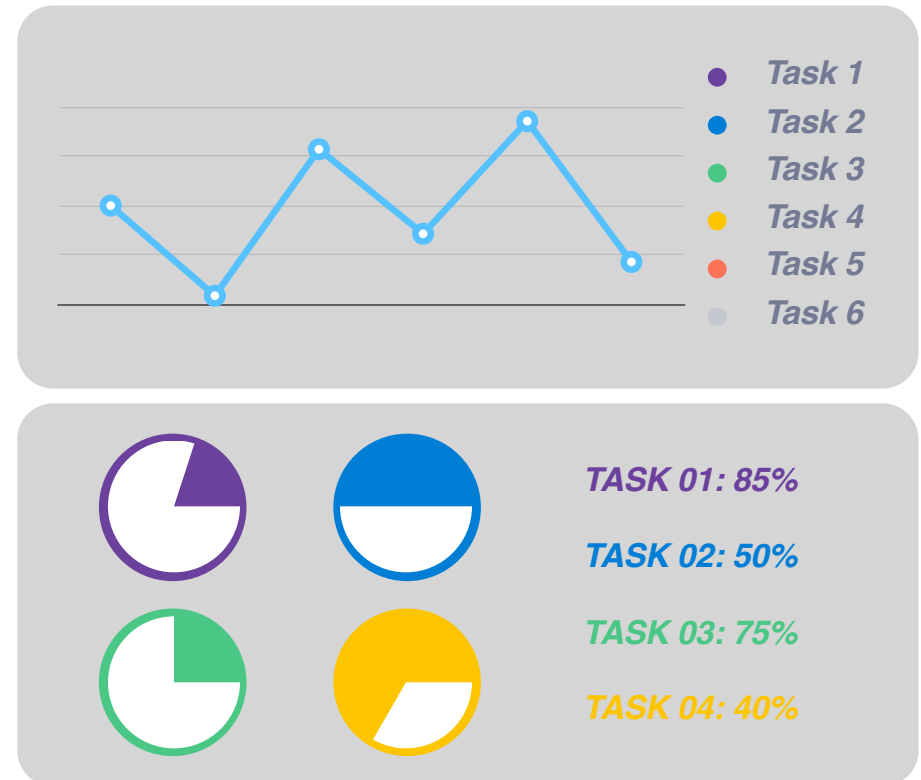


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Project Performance

PERFORMANCE:

The differential **PERCENTAGE** your project is over or under against the project plan.



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Schedule and Cost Performance Index

Schedule and Cost
Performance Index (SPI & CPI)
give us a **snapshot** of the
overall time and shows us how
each are doing as a
PERCENTAGE.



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Schedule and Cost Performance Index

Schedule and Cost Performance Index (SPI & CPI) give us a **snapshot** of the overall time and shows us how each are doing as a **PERCENTAGE**.

SPI = Earned Value / Planned Value

$$\text{SPI} = \text{EV} / \text{PV}$$



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Schedule and Cost Performance Index

Schedule and Cost Performance Index (SPI & CPI) give us a **snapshot** of the overall time and shows us how each are doing as a **PERCENTAGE**.

SPI = Earned Value / Planned Value

$$\text{SPI} = \text{EV} / \text{PV}$$

CPI = Earned Value / Actual Costs

$$\text{CPI} = \text{EV} / \text{AC}$$



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Performance Index Meaning



SPI or CPI > 1.0

We are (x%) **AHEAD** of plan



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Performance Index Meaning



SPI or CPI > 1.0

We are (x%) **AHEAD** of plan



SPI or CPI = 1.0

We are **EXACTLY** on plan



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Performance Index Meaning



SPI or CPI > 1.0

We are (x%) **AHEAD** of plan



SPI or CPI = 1.0

We are **EXACTLY** on plan



SPI or CPI < 1.0

We are (x%) **BEHIND** plan

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If a project has a Schedule Performance Index (SPI) or 1.3 it is...



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How is the cookie project performing after the 1st hour?

SPI = Earned Value / Planned Value

SPI = EV / PV

SPI = \$7.50 / \$10.00

SPI = ??

CPI = Earned Value / Actual Costs

CPI = EV / AC

CPI = \$7.50 / \$9.00

CPI = ??



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How is the cookie project performing after the 1st hour?

$$SPI = EV / PV$$

$$SPI = \$7.50 / \$10.00$$

$$SPI = 0.75$$

We are 25% behind schedule

$$CPI = EV / AC$$

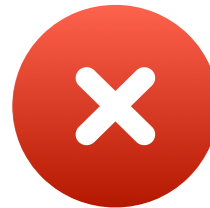
$$CPI = \$7.50 / \$9.00$$

$$CPI = 0.83$$

We are 17% over costs



SPI < 1.0



CPI < 1.0

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Performance vs Variance

Performance is the differential
PERCENTAGE your project is over
or under against the project plan.



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Performance vs Variance

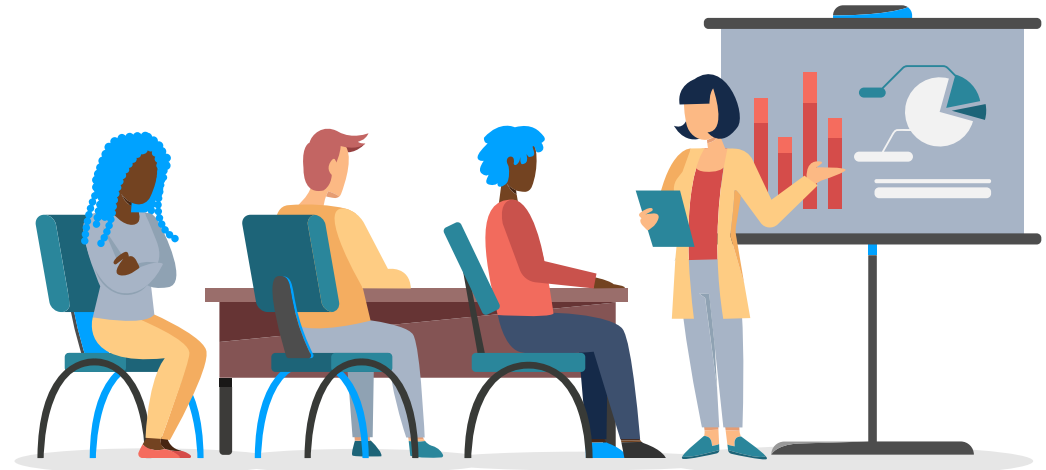
VARIANCE is the actual amount of **DOLLARS** and/or **TIME** your project is over or under within your **BUDGET** or **SCHEDULE**



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Schedule Variance (SV) & Cost Variance (CV)

Schedule and Cost Variance (SV & CV) give us the **REAL** Dollars and Time the project is ahead or behind.



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Cost Variance (CV)

SV shows how far over / under schedule the project is in **TIME**.

CV shows how far over / under budget the project is in **DOLLARS**



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Cost Variance (CV)

SV = Earned Value - Planned Value

$$SV = EV - PV$$

CV = Earned Value - Actual Costs

$$CV = EV - AC$$



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Time to update the sponsor with what they need to hear

Schedule Variance (SV)

SV = Earned Value - Planned Value

SV = \$7.50 - \$10.00

Cost Variance (CV)

CV = Earned Value - Actual Costs

CV = \$7.50 - \$9.00



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Time to update the sponsor with what they need to hear

Schedule Variance (SV)

SV = Earned Value - Planned Value

$$SV = \$7.50 - \$10.00$$

$$SV = -2.5$$

Cost Variance (CV)

CV = Earned Value - Actual Costs

$$CV = \$7.50 - \$9.00$$

$$CV = -\$1.50$$



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Time to update the sponsor with what they need to hear

After first hour we can brief we are 2.5 hours behind plan \$1.50 over budget



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We rarely do single projects

To utilize EVM we must learn to use the numbers to **best understand** where to **provide support** within multiple projects.



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The (Overused) Fence Project

We need a fence.

Scott is having 10 fellow Tampa CEOs over to his house on **Friday morning** for a long overdue puppy play date.

He needs to build a fence to allow the pups to play outside.



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We need a fence.

Through planning, Scott has found the following:

Fence materials will cost **\$2,000**

Pete and Brian (two friends with fence building experience) will cost Scott **\$500 per day**.



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The plan comes together.

Pete and Brian determine they will build one side a day Monday through Thursday.

What is the budget at completion?

	Monday	Tuesday	Wednesday	Thursday
North Side	\$2500			
East Side		\$500		
West Side			\$500	
South Side				\$500
Planned Value (PV)				
Earned Value (EV)				
Actual Cost (AC)				
	PLAN	COMPLETE	BEHIND	



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The plan comes together.

Materials: \$2,000

+

4 Days Labor @ \$500 per day = \$2,000

Budget at Completion:
\$4,000

	Monday	Tuesday	Wednesday	Thursday
North Side	\$2500			
East Side		\$500		
West Side			\$500	
South Side				\$500
Planned Value (PV)	2,500	3,000	3,500	4,000
Earned Value (EV)				
Actual Cost (AC)				
	PLAN	COMPLETE	BEHIND	



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Day 1

Ending Monday, Pete and Brian completed all the North side of the fence and half of the East side.

Brian also was able to secure a 10% discount on materials (reducing the cost from \$2,000 to only **\$1,800**).

	Monday	Tuesday	Wednesday	Thursday
North Side	\$2500			
East Side		\$250		
West Side			\$500	
South Side				\$500
Planned Value (PV)	2,500	3,000	3,500	4,000
Earned Value (EV)				
Actual Cost (AC)				
	PLAN	COMPLETE	BEHIND	



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Day 1

How much has the project **"earned"** and what are the **Actual Costs**?

	Monday	Tuesday	Wednesday	Thursday
North Side	\$2500			
East Side		\$250		
West Side			\$500	
South Side				\$500
Planned Value (PV)	2,500	3,000	3,500	4,000
Earned Value (EV)	2,750			
Actual Cost (AC)	2,300			
	PLAN	COMPLETE	BEHIND	



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How would we report how the fence project is performing?

How is the schedule “performing”?
(SPI)

How are we tracking on our budget?
(CPI)

How accurate was our plan?
What costs are we going to
have to absorb?

Are we on track for success?



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Day 1 Fence Performance

SPI = Earned Value / Planned Value

CPI = Earned Value / Actual Cost

SPI = EV / PV

CPI = EV / AC

	Monday	Tuesday	Wed	Thursday
PV	2,500	3,000	3,500	4,000
EV	2,750			
AC	2,300			

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Day 1 Fence Performance

SPI = Earned Value / Planned Value

CPI = Earned Value / Actual Cost

SPI = EV / PV

CPI = EV / AC

SPI = \$2,750 / \$2,500

CPI = \$2,750 / \$2,300

SPI = ??

CPI = ??

	Monday	Tuesday	Wednesday	Thursday
PV	2,500	3,000	3,500	4,000
EV	2,750			
AC	2,300			

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Day 1 Fence Performance

SPI = Earned Value / Planned Value

CPI = Earned Value / Actual Cost

SPI = EV / PV

CPI = EV / AC

SPI = \$2,750 / \$2,500

CPI = \$2,750 / \$2,300

SPI = 1.1

CPI = 1.2

	Monday	Tuesday	Wed	Thursday
PV	2,500	3,000	3,500	4,000
EV	2,750			
AC	2,300			

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Day 1 Fence Performance



SPI > 1.0
10% AHEAD of schedule



CPI > 1.0
20% LOWER cost



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Day 2

It rained all day Tuesday, allowing no work to be done.

We still pay our people as per the agreement.

	Monday	Tuesday	Wednesday	Thursday
North Side	\$2500			
East Side		\$250		
West Side			\$500	
South Side				\$500
Planned Value (PV)	2,500	3,000	3,500	4,000
Earned Value (EV)	2,750			
Actual Cost (AC)	2,300			
	PLAN	COMPLETE	BEHIND	



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Day 2

And...

We still only have the North side and **HALF** the East side done.

But our costs have gone up!

	Monday	Tuesday	Wednesday	Thursday
North Side	\$2500			
East Side		\$250		
West Side			\$500	
South Side				\$500
Planned Value (PV)	2,500	3,000	3,500	4,000
Earned Value (EV)	2,750	2,750		
Actual Cost (AC)	2,300	2,800		
	PLAN	COMPLETE	BEHIND	



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How are we looking at the end of Day 2?

How is the schedule “performing”? **(SPI)**

How are we tracking on our budget? **(CPI)**



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Day 2 Fence Performance

SPI = Earned Value / Planned Value

CPI = Earned Value / Actual Cost

SPI = EV / PV

CPI = EV / AC

SPI = \$2,750 / \$3,000

CPI = \$2,750 / \$2,800

SPI = .92

CPI = .98

	Monday	Tuesday	Wed	Thursday
PV	2,500	3,000	3,500	4,000
EV	2,750	2,750		
AC	2,300	2,800		

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Day 2 Fence Performance



SPI < 1.0
8% BEHIND schedule



CPI < 1.0
2% ABOVE cost



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Day 3

Playing catchup on Wednesday, we completed the East side of the fence but were unable to start the west side due to Pete leaving machinery in the rain.

	Monday	Tuesday	Wednesday	Thursday
North Side	\$2500			
East Side		\$500		
West Side			\$500	
South Side				\$500
Planned Value (PV)	2,500	3,000	3,500	4,000
Earned Value (EV)	2,750	2,750		
Actual Cost (AC)	2,300	2,800		
	PLAN	COMPLETE	BEHIND	



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Day 3

This damaged machinery **added \$500** to the costs of the project.

	Monday	Tuesday	Wednesday	Thursday
North Side	\$2500			
East Side		\$500		
West Side			\$500	
South Side				\$500
Planned Value (PV)	2,500	3,000	3,500	4,000
Earned Value (EV)	2,750	2,750	3,000	
Actual Cost (AC)	2,300	2,800	3,800	
	PLAN	COMPLETE	BEHIND	



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Day 3 Fence Performance

SPI = Earned Value / Planned Value

CPI = Earned Value / Actual Cost

SPI = EV / PV

CPI = EV / AC

SPI = \$3,000 / \$3,500

CPI = \$3,000 / \$3,800

SPI = .86

CPI = .79

	Monday	Tuesday	Wed	Thursday
PV	2,500	3,000	3,500	4,000
EV	2,750	2,750	3,000	
AC	2,300	2,800	3,800	

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Day 3 Fence Performance



SPI < 1.0
14% BEHIND schedule



CPI < 1.0
21% ABOVE cost



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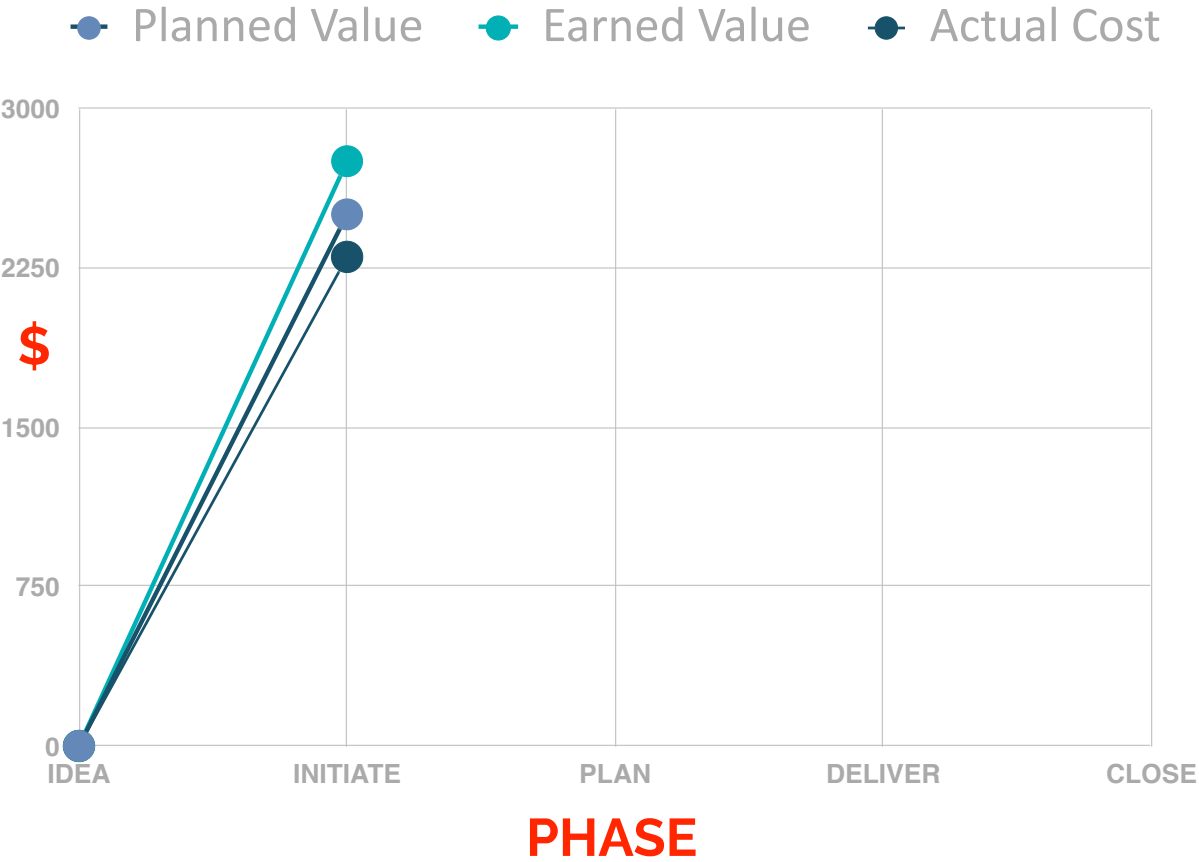
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Charts and Graphs

Charting Performance Day 1

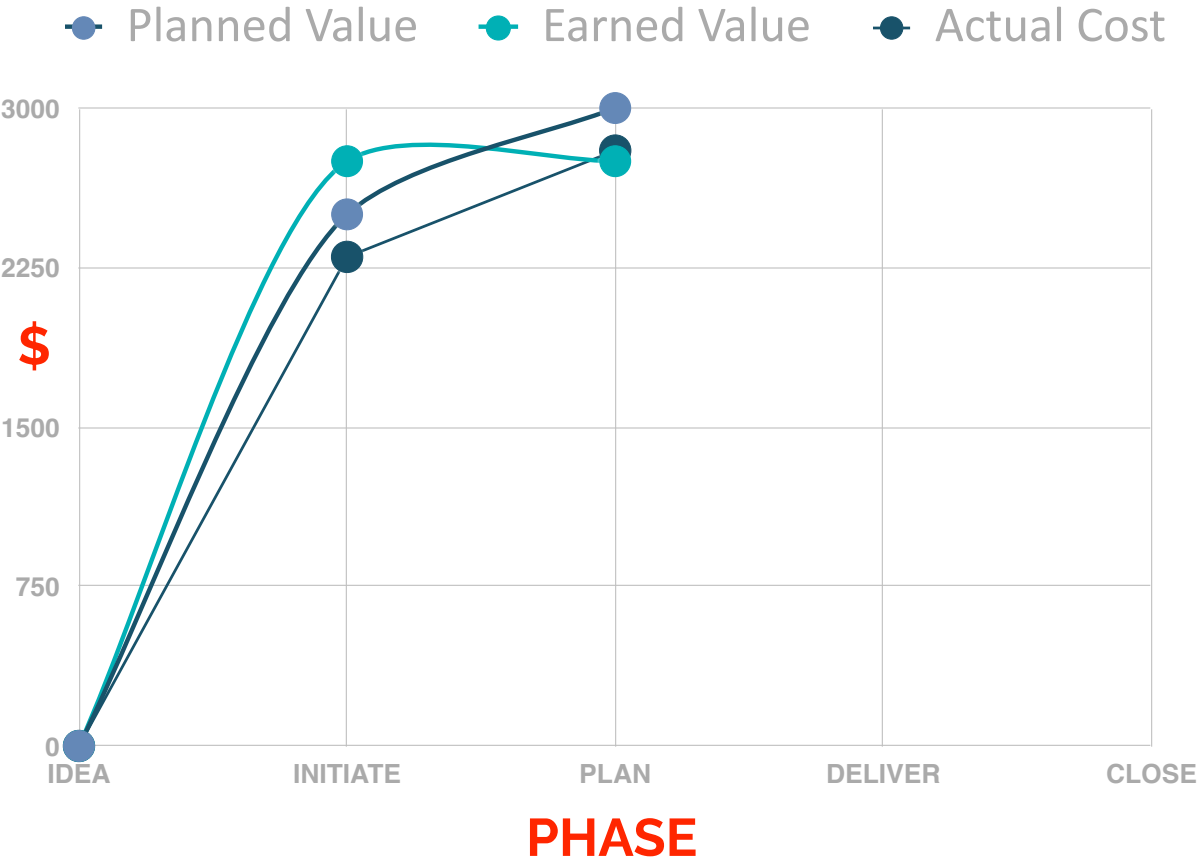
	PV	AC	EV
Initiate	\$2,500	\$2,300	\$2,750
Plan			
Deliver			
Close	4000	UNK	UNK



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Charting Performance Day 2

	PV	AC	EV
Initiate	\$2,500	\$2,300	\$2,750
Plan	\$3,000	\$2,800	\$2,750
Deliver	\$3,500	\$3,800	\$3,000
Close	4000	UNK	UNK

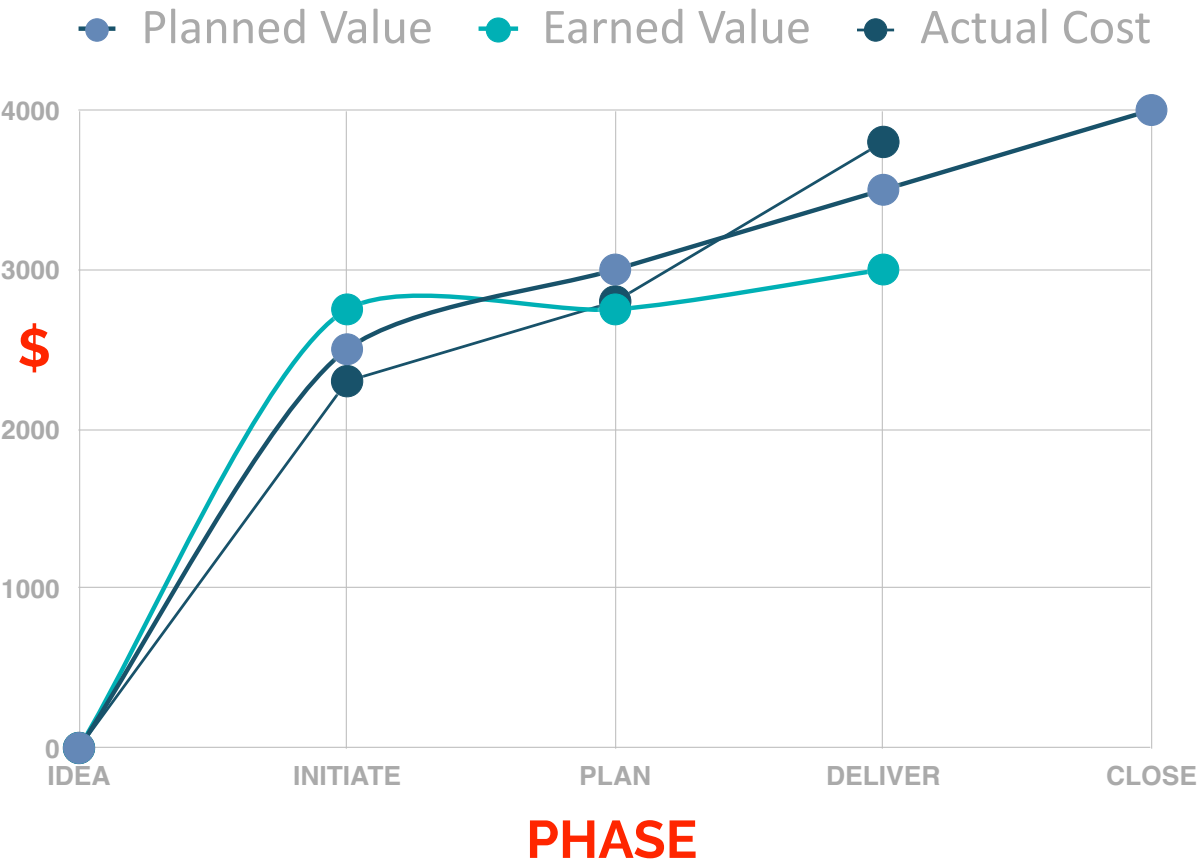


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Charting Performance Day 3

	PV	AC	EV
Initiate	\$2,500	\$2,300	\$2,750
Plan	\$3,000	\$2,800	\$2,750
Deliver	\$3,500	\$3,800	\$3,000
Close	4000	UNK	UNK

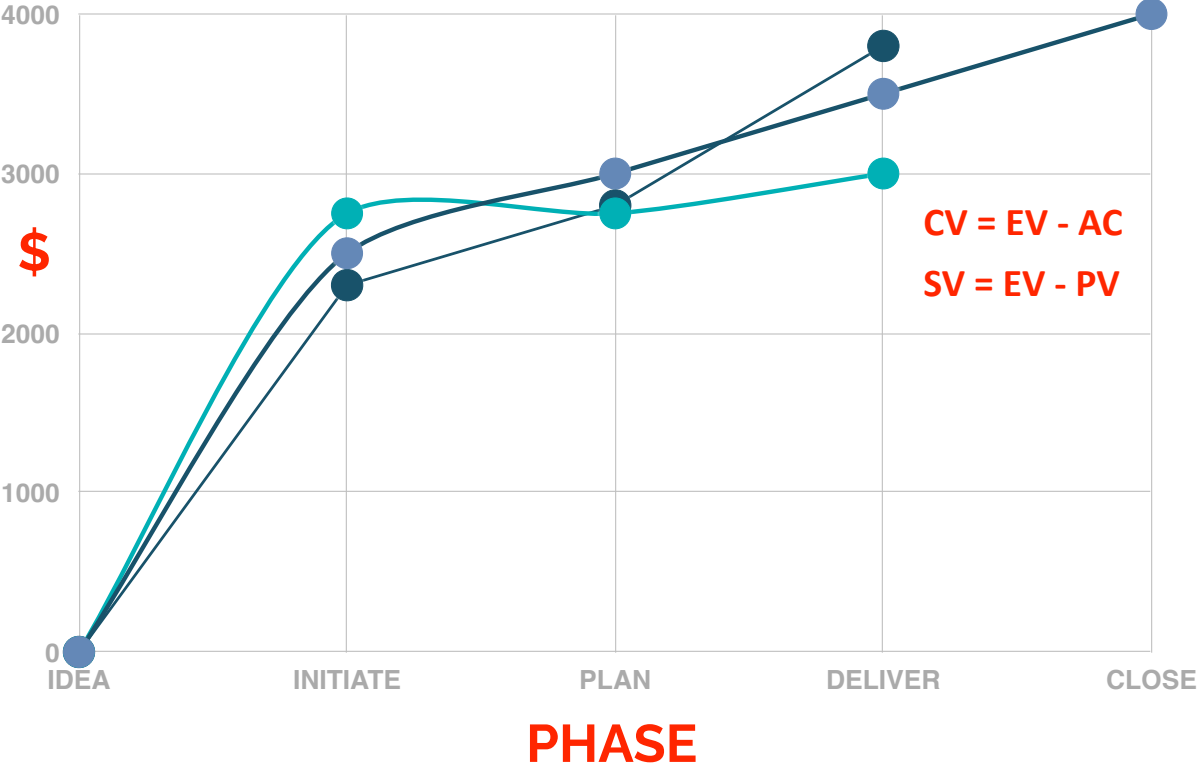


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Charting Performance

	PV	AC	EV
Initiate	\$2,500	\$2,300	\$2,750
Plan	\$3,000	\$2,800	\$2,750
Deliver	\$3,500	\$3,800	\$3,000
Close	4000	UNK	UNK

Planned Value Earned Value Actual Cost



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Why do all the math?

It's important as a PM to be able to quantify how your projects are performing.

This becomes even more apparent when asking Sponsors, Program Managers or the Project Management Office for more resources (time, money or people).



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Program Level Look At Our Two Projects

	SPI	CPI
Cookies After 1 Hour	.75	.83
Fence After 3 Days	.86	.79



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Program Level Look At Our Two Projects

If we have an organizational threshold of **+/- 20%** we now know what efforts best need our support (time, people or money)

	SPI	CPI
Cookies After 1 Hour	.75	.83
Fence After 3 Days	.86	.79



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Program Level Look At Our Two Projects

	SPI	CPI
Cookies After 1 Hour	.75	.83
Fence After 3 Days	.86	.79

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Program Level Look At Our Two Projects

Cookies are **25%** behind schedule

Fence is **21%** over budget

	SPI	CPI
Cookies After 1 Hour	.75	.83
Fence After 3 Days	.86	.79



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Program Level Look At Our Two Projects

Is that the right answer?

We'd help cookies with
SCHEDULE

We'd help the fence with
MONEY

	SPI	CPI
Cookies After 1 Hour	.75	.83
Fence After 3 Days	.86	.79



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But how long will it take (or cost) in real time?

Assuming the work will be performed at the same cumulative rate of progress, **how much will the project eventually cost?**



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But how long will it take in real time?

Let's take a look at our two projects.
The **Estimate at Completion EAC**
(based upon where we are now).



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Estimate At Completion (EAC)

EAC for COST

$$\text{EAC} = \text{BAC (cost)} / \text{CPI}$$

EAC for TIME

$$\text{EAC} = \text{BAC (time)} / \text{SPI}$$



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Let's look at the cookie project

$$\text{EAC} = \text{BAC (cost)} / \text{CPI}$$

$$\text{EAC} = \$50 / .83$$

$$\text{EAC} = ??$$

$$\text{EAC} = \text{BAC (time)} / \text{SPI}$$

$$\text{EAC} = 5 \text{ hours} / .75$$

$$\text{EAC} = ??$$



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Let's look at the cookie project

$$\text{EAC} = \text{BAC (cost)} / \text{CPI}$$

$$\text{EAC} = \$50 / .83$$

$$\text{EAC} = \$60.24$$

$$\text{EAC} = \text{BAC (time)} / \text{SPI}$$

$$\text{EAC} = 5 \text{ hours} / .75$$

$$\text{EAC} = 6 \text{ hours and } 40 \text{ minutes}$$



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And now the fence project

$$\text{EAC} = \text{BAC (cost)} / \text{CPI}$$

$$\text{EAC} = \$4,000 / .86$$

$$\text{EAC} = ??$$

$$\text{EAC} = \text{BAC (time)} / \text{SPI}$$

$$\text{EAC} = 4 \text{ (days)} / .79$$

$$\text{EAC} = ??$$



SOFPM

And now the fence project

$$\text{EAC} = \text{BAC (cost)} / \text{CPI}$$

$$\text{EAC} = \$4,000 / .86$$

$$\text{EAC} = \$4,651$$

$$\text{EAC} = \text{BAC (time)} / \text{SPI}$$

$$\text{EAC} = 4 \text{ (days)} / .79$$

$$\text{EAC} = 5.06 \text{ (days)}$$



SOFPM

Our plans versus reality

Cookie Project

Plan: 5 hours and \$50

Projection: 6hrs 40 min and \$60.24

Fence Project

Plan: 4 days and \$4,000

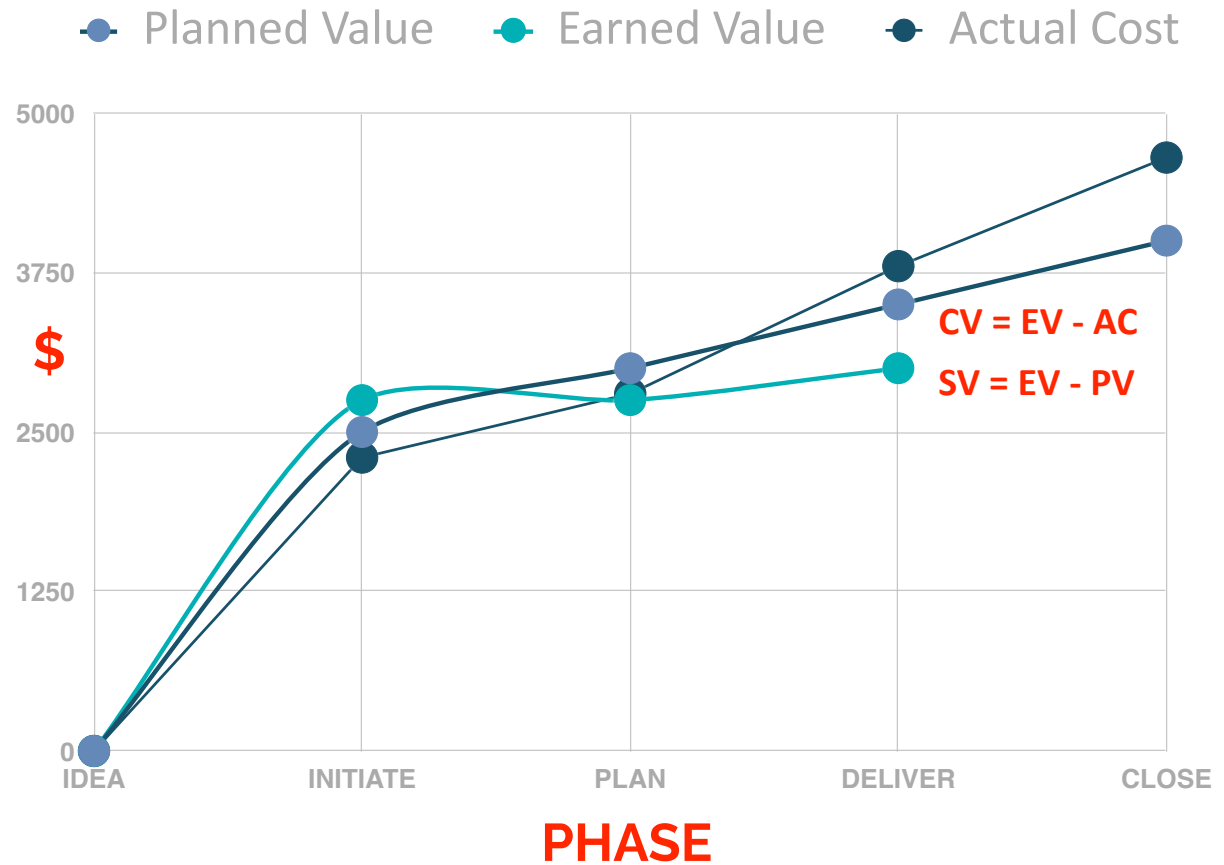
Projection: 5+ days and \$4,651



SOFPM

Fence Budget at Completion Visual

	PV	AC	EV
Initiate	\$2,500	\$2,300	\$2,750
Plan	\$3,000	\$2,800	\$2,750
Deliver	\$3,500	\$3,800	\$3,000
Close	4000	\$4,651	UNK



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Time or money?

What is our project
constrained by?

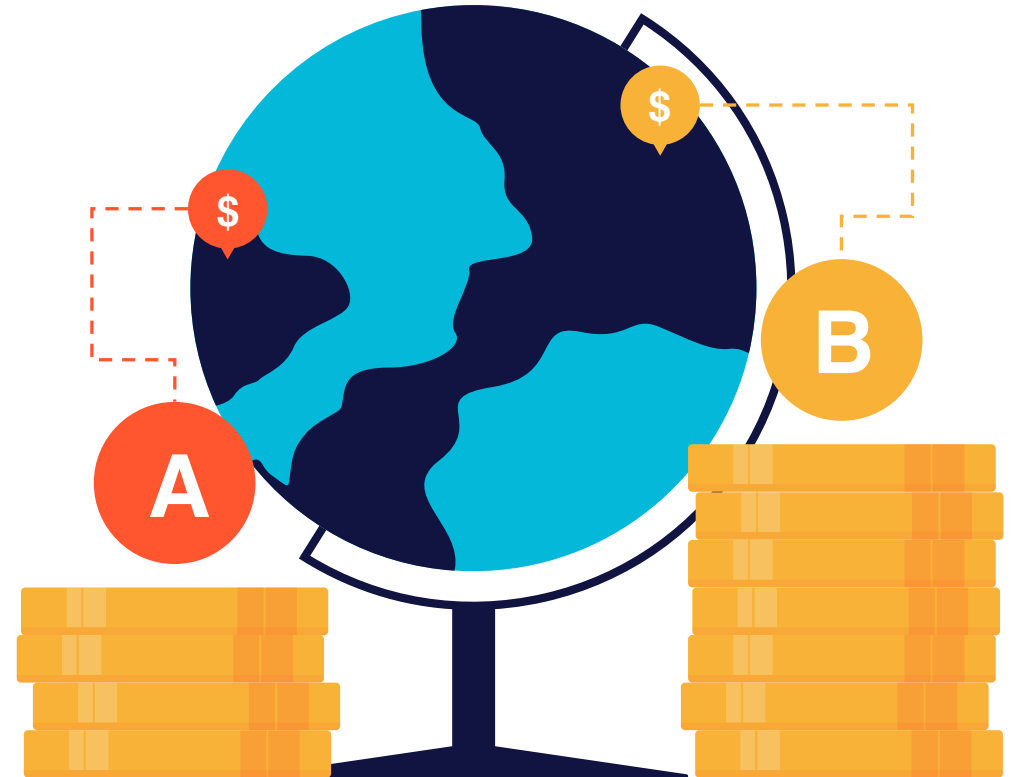


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Constraints are driven by **RESOURCES**

Project resources are the **people, capital, time, and/or material goods** required for the successful execution and completion of a project.



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Program Level Look At Our Two Projects

Remember the
**Schedule Management
Techniques?**

	SPI	CPI
Cookies After 1 Hour	.75	.83
Fence After 3 Days	.86	.79



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DISCUSSION

What are the risks of using EAC and other statistical methods to forecast project performance?



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When does a task “**earn**” value?



SOFPM

When does a task “earn” value?

0/100 rule

All or nothing method to calculate EV

A WBS task has no EV until it is complete

Works best with highly detailed WBS



SOFPM

When does a task “earn” value?

Discrete Techniques:

0/50/100 rule (To Do, Doing, Done)

25/50/75/100 rule

% complete

Units complete



SOFPM

Understanding EVM

Know what **constraints** are alive and well in your projects and **use EVM** to protect the project against those constraints.

Understand the flaws in “snapshots” within your project.

Knowing how projects fall under programs and portfolios, EVM is a great tool allowing for concise reporting vs “**storytelling**”



SOFPM

Key Points: EVM



SOFPM
(A CERTIFICATION
COURSE FOR
PROFESSIONALS)

EVM is a tool to report project status effectively and in a manner understood by all

Project reports (specifically budget and schedule) will allow you to get project support **when needed**.

Knowing how your projects are actually performing is highly important to their **success**.