



3 Main Benefits of Project Baselineing

By Linda Russell

When you have finished planning your project, and you have all the scheduled dates, hours, and costs (and charges if applicable) agreed, why is it a good idea to store those values? We explore the reasons.



What is a Baseline?

A baseline is a set of stored values. Usually these will be:

- Original Scheduled Start and Finish Dates.
- Planned Effort (may be expressed in hours).
- Planned or Budgeted Cost.
- Planned or Budgeted Revenue.

Why Baseline?

The main benefits of having a project baseline are:

- Ability to assess performance.
- Earned Value calculation.
- Improved future estimating accuracy.

Assessing Performance

If you know what the plan was, you can compare this with the actuals, and make a judgement on whether you're on track or not. Your software may have a "traffic light" or similar system to indicate this. This provides you with variance information which can be useful for future estimating.

For instance, a task was planned to start last week and the planned effort/duration was 10 days. It should therefore finish at the end of this week. It is now Monday of week 2. The task actually started last Wednesday and, having reviewed the task, you now estimate is that it will take another 8 days to complete it.

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|------------------------------|-----------------------------------|
| Planned Start Monday Week 1 | Actual Start Wednesday Week 1 |
| Planned Finish Friday Week 2 | Scheduled Finish Wednesday Week 3 |
| Planned Duration 10 days | Revised Duration 11 days |

Hence on current estimates the task will take an extra day to complete and will be 3 days late.

This is a fairly crude way of assessing how well you're doing. If you add in a value for progress (percentage complete) a better measure is to use Earned Value. If you record the actual hours spent on the task, your software may be able to calculate the percentage complete value.

Earned Value

With Earned Value you compare the planned hours and costs of work with the actual hours and costs, taking into account the progress on each task and the project as a whole. It often includes the calculation of a performance indicator.

This allows you to see trends in performance, and thus to predict potential overruns. At an individual task level, it is a good indicator of how much time and cost should have been spent so far, compared with how much time/cost has actually been spent.

However, it is advisable not to place too much reliance on such forecasts, especially in the early stages of the project's lifecycle, as few tasks have been started or completed; as time moves forward, the accuracy of the predictions increases, although you are still reliant on peoples' assessments of progress.

When a task is completed, the Earned Value figures will be equal to the planned figures, so this measure cannot be used to enhance estimating accuracy.

Improved Estimating

When you create your plan, you estimate how long each task will take, and how much effort will be required to complete it. You may also work out the likely costs and, if you're charging for work done, what the revenue will be. How do you do this? The tools most commonly used are previous experience - plus a device such as a crystal ball!

You can improve the accuracy of your estimating if you have a record of previous estimates compared with the actual outcome. This can give you a margin of error (perhaps as a percentage) which you can build into all future estimates.

If your project management software has a template facility, at the end of each project you can use the variance data to update the template tasks with revised estimates.

Conclusion

Having a baseline on each project allows you to monitor current project performance and also to improve the accuracy of future estimates.

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