

Labor - Execution Efficiency [

The Execution Efficiency (EE) is a KPI that tells you whether your team is on track to be in budget or not. In other words, whether the team will meet its [Margin Objective](#) on labor.

It compares how much labor you would have spent of the Execution Budget (EB) based on your current Execution Rate (%EX) to what you have spent to date.

$$EE = \frac{EB \times \%EX}{spent}$$

Project teams should manage their project to achieve and Execution Efficiency 100% or above.

Because it is a percentage, you can instantly assess the financial health of a project, regardless of the Margin Objective.

It is the main KPI that allows you to trigger adjustments of strategy and/or objectives (client approach, margin, scope, ...).

Interpretation

- **EE < 100%** - The team will spend more money than expected and the margin generated will be lower than the objective.
- **EE = 100%** - The team will spend as much as expected.
- **EE > 100%** - The team will spend less money than expected and the margin generated will be above the objective.

Examples

Let's consider a project that has a Labor budget (LB) of \$1,000 and a Margin Objective (MO) of 40%. The resulting Execution Budget (EB) is:

$$EB = LB - MO_{labor}$$
$$= \$1000 - (\$1000 \times 40\%) = \$600$$

Let's consider the following scenarios:

	Scenario 1	Scenario 2	Scenario 3
spent	\$200	\$150	\$400
remaining	\$300	\$550	\$190
Execution Rate (%EX)	$\begin{aligned} \%EX &= \frac{spent}{spent + remaining} \\ &= \frac{200}{200 + 300} \\ &= 40\% \end{aligned}$	$\begin{aligned} \%EX &= \frac{spent}{spent + remaining} \\ &= \frac{150}{150 + 550} \\ &= 21\% \end{aligned}$	$\begin{aligned} \%EX &= \frac{spent}{spent + remaining} \\ &= \frac{400}{400 + 190} \\ &= 68\% \end{aligned}$
Execution Efficiency (EE)	$\begin{aligned} EE &= \frac{EB \times \%EX}{spent} \\ &= \frac{\$600 \times 40\%}{200} \\ &= 120\% \end{aligned}$	$\begin{aligned} EE &= \frac{EB \times \%EX}{spent} \\ &= \frac{\$600 \times 21\%}{150} \\ &= 86\% \end{aligned}$	$\begin{aligned} EE &= \frac{EB \times \%EX}{spent} \\ &= \frac{\$600 \times 68\%}{400} \\ &= 102\% \end{aligned}$

Let's analyze these numbers and discuss possible actions:

	EE	Status	Possible Actions
Scenario 1	120%	🟢	<ul style="list-style-type: none">• Increase the Margin Objective <i>The team wants to bank the extra margin</i>• Invest the additional margin <i>The team decides to do more for the client</i>

	EE	Status	Possible Actions
Scenario 2	86%	☐☐	<ul style="list-style-type: none"> • Decrease the Margin Objective <i>The team considers it will not be able to make for the lost margin</i> • Decrease the scope <i>Convince the client to do less work in order to decrease the remaining costs</i> • Ask for extra budget <i>In order to completely or partially make for the lost margin</i> • New working approach <i>In order to increase the efficiency of the team and make up all or part of the lost margin</i>
Scenario 3	102%	☐☐	<ul style="list-style-type: none"> • Nothing <i>The team is executing as planned</i>

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