

## So are you any good at estimating?

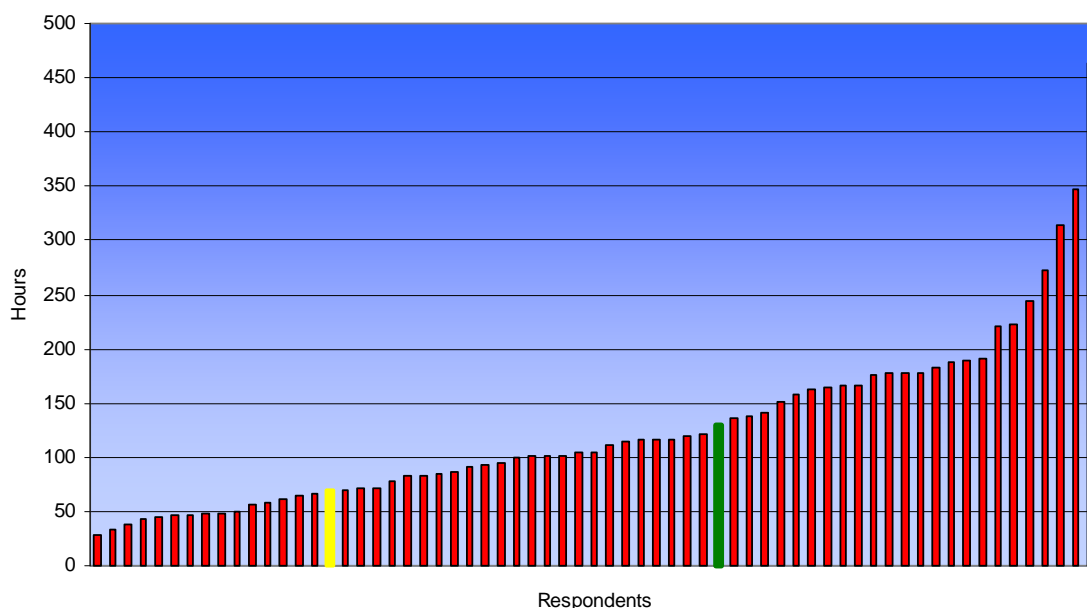
You probably think you are – after all you estimate all the time. In a typical day you estimate how many calories there are in your cream cake, how much money you need to pay for your lunch, when you should leave the office to be sure of catching your train home and so on.

However when it comes to the world of work, and more specifically the world of projects, it all starts to get a bit more difficult. After all, it's a fact of life that projects often overrun, with the time taken and the effort involved frequently being underestimated. And the person doing the estimating is probably someone just like you. So what is going on?

We decided to find out by devising a test that would allow us to determine estimating style, separate the optimists from the pessimists and see what conclusions we could draw. We arranged for 67 individuals, all of whom worked for organisations in the financial services industry and who had project management experience, to estimate how long and how much effort it would take to carry out a specific project.

We kept it simple. The project was based on a scenario familiar to just about everyone. We asked them to identify how much effort was required to organise a public event and over what period. Nearly all the respondents had attended a CityIQ event – so they had some inside knowledge of what was required. To make it even easier we gave them a framework which listed out the 30 detailed tasks involved – then we sat back and waited. The results were as follows:

## Effort Estimates



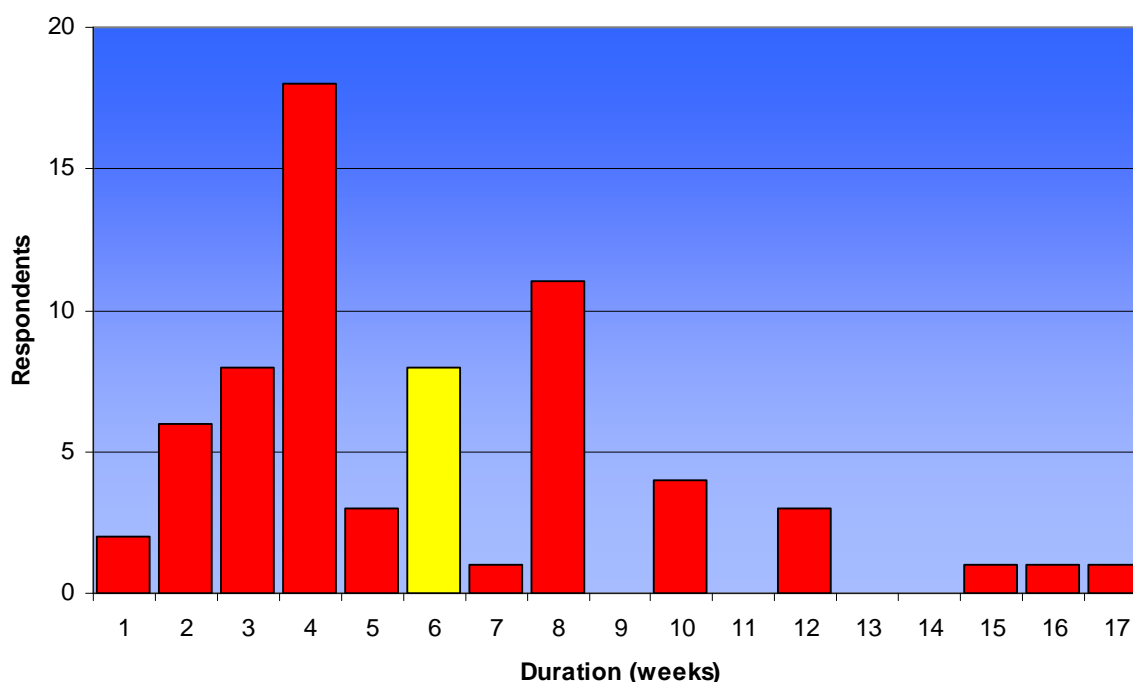
The actual amount of effort to run an event as described is in reality approximately 70 hours (shown on the graph in yellow). The average estimate was 126 hours (shown in green). This discrepancy makes sense if you accept that:

- The actual amount has come down from when we started running events – because we have got better at doing them.
- A wise estimator being unfamiliar with the process would tend to estimate on the high side
- The more extreme estimates (350 hours or above) have inflated the average

The results show that even with a closely defined and easily understood set of tasks estimates can vary widely. In this case:

- The difference between the highest and the lowest estimates varied by a factor of twenty – having the same set of information doesn't mean you'll get the same or even similar results from a group
- Less than 10% of respondents were within 10% of the actual
- Most people estimate on the high side – only 24% of participants estimated lower than it actually takes.
- Taking multiple estimates, discarding the most extreme and averaging the others would probably make for a better estimate than taking a single view.

## Duration Estimates



As for duration most respondents underestimated the amount of elapsed time involved in putting together an event. Four weeks was the most common response though six weeks was both the average estimate and the actual.

Summarising the above, if our sample is representative, the tendency is to overestimate the effort and underestimate the duration. In other words – most respondents would have come in within budget but missed the date.

Feedback from this exercise has been positive. Most individuals and organisations value having an external benchmark of estimating style. Indeed one organisation who got involved asked us to consolidate the results for their company only. The results of this survey have now closed. However we will be running a similar exercise in 2010 – contact us if you would like to be involved or if you would like more information about this study.

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