



*CRITICAL THINKING.
SOLUTIONS DELIVERED.*

NATO Agency Transformation: Creating a Centralized Cost Estimating Capability

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Overview

- The Journey begins...
- Merging 5 NATO agencies into ONE NCI Agency
- Before & After Roles of the Life Cycle
- Why Centralized Cost Capability?
- The Journey continues...
- Implementation of Cost Estimating and Analysis Capability



The Journey Begins...

- In July 2012, a new NATO Agency is born...
 - Merge of 5 NATO agencies into one - NATO Information and Communications Agency (NCI Agency)
 - Transformation from asset based organizations with different scopes of products/services and different roles within the product/service life cycle to a service based total life cycle organization
- Determined that full life cycle cost estimating and analysis capability was needed and so began the journey to implement a centralized cost capability within NCI Agency



Merge of 5 NATO agencies into ONE NCIA



NATO CIS Services Agency



NATO Consultation, Command and Control Agency



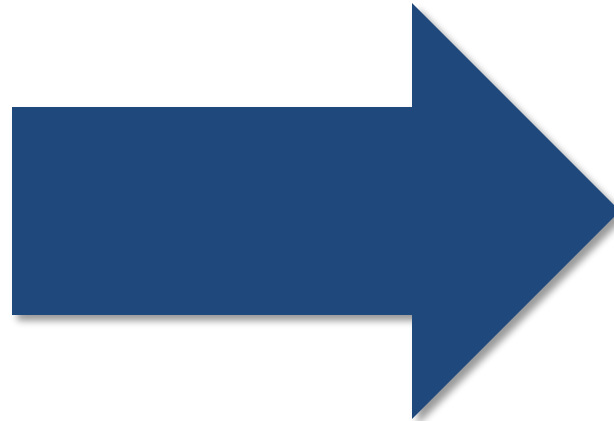
NATO Air Command and Control System Management Agency



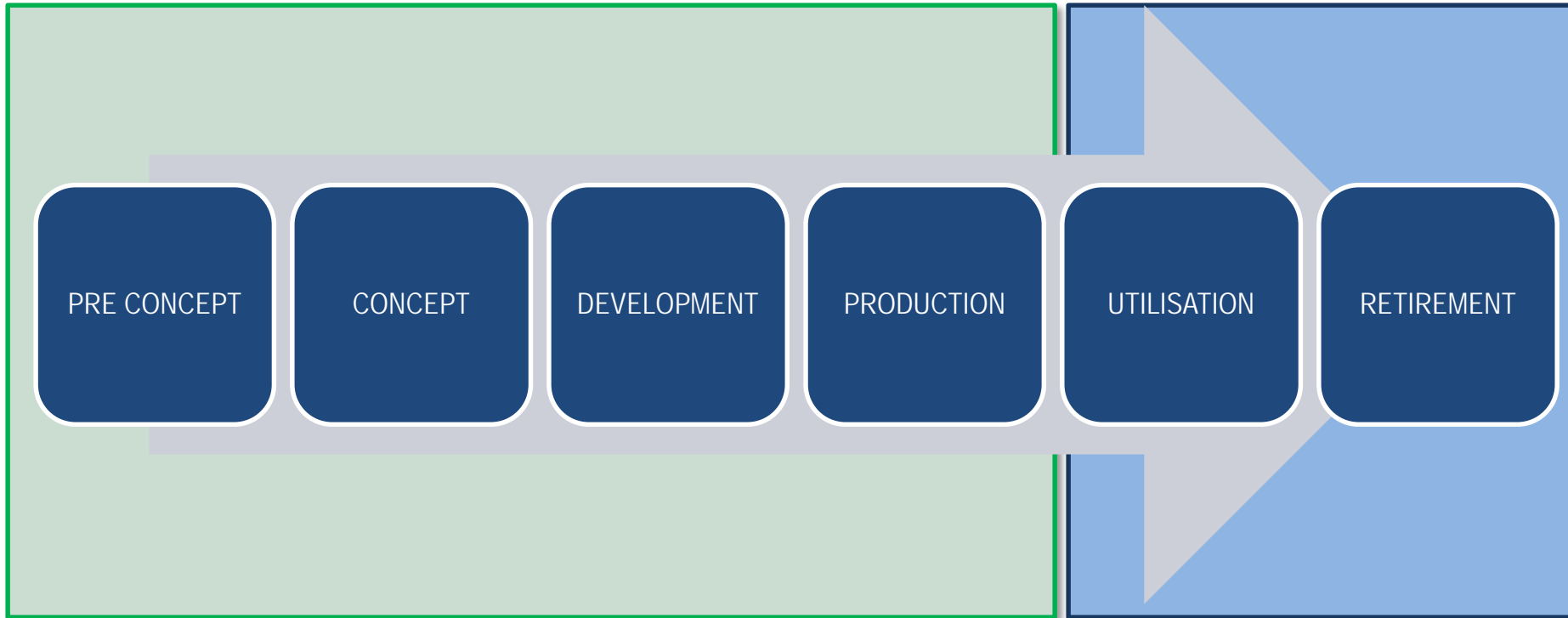
Active Layered Theatre Ballistic Missile Defence Programme Office



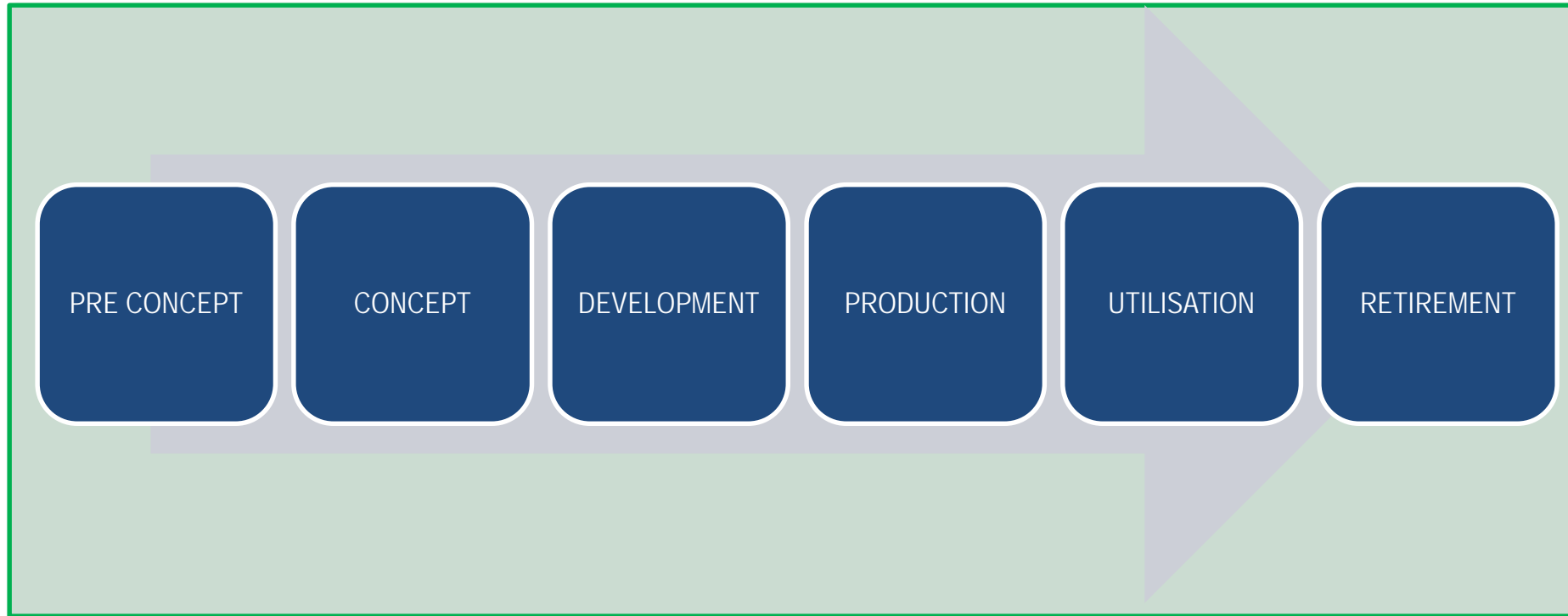
HQ Information, Communication, Technology Management



Before: Roles of the Life Cycle



After: Roles of the Life Cycle





Why Centralized Cost Capability?

- Provide independent, product based, data driven life cycle cost estimates (LCCEs)
- Common cost estimation tool set, methodologies, data, training, etc.
- GAO Best Practices
- Integrated team working collaboratively
- Standardized processes

The Journey Continues... Challenges



- NATO Security Investment Programme (NSIP)
 - Controlled by the Investment Committee through a formal approval process required for each project to be authorized for funding
- Customer funded organization
 - Transformation of Annually Budget Funded Organizations into a Customer Funded Organization
 - Overcoming the challenge of providing a billable service to projects

The Journey Continues... Challenges



- Undocumented business processes for cost estimating and analysis capability
 - Development and implementation of policies and processes
- Cultural Aspects
 - 5 agency cultures (spread over 30 locations), 28 Nations
- Civilian/Military mix of staff
 - Different backgrounds and experience levels with cost estimating



The Journey Continues...

Challenges

- Operating in a complex political environment
 - Impacted by political decisions
- Software Intensive Projects (SIPs)
 - New technology acquisitions
 - Risk integration
- Customer Awareness
 - Acquisition Roadshows
 - Project Management Training
 - Understanding the interface of cost estimating within a project

The Journey Continues...

Transformation Main Objectives



- Efficiency
- Effectiveness
- Savings

The Journey Continues...

GM's Priorities for Improvement



- On Time Capability Delivery
- Accurate and Consistent Expenditure Forecasting
- Reasonable Project Service Costs
- Competition-Focused Acquisition
- Ensuring Contractor Accountability for Poor Performance
- Expediting Future Authorisations
- Transparency

Implementation of Cost Estimating and Analysis Capability



- Implementation of full LCCEs across all organizational elements
- Provide consistent, defensible and credible LCCEs leading to less requests for additional funding due to overruns
- Acquisition of cost estimation tools
 - Consistency of cost and schedule analysis
 - Risk Analysis
- More focus on development of requirements
- Cost traceability and transparency – cost baselines, tracking and analysis

Implementation of Cost Estimating and Analysis Capability



- Closed loop data collection for use of historical actuals for more accurate estimating
- Software Intensive Projects (SIPs) Working Group to better standardize software estimation approaches (maturing from LOE estimates)
- Operations and Maintenance cost estimating
- Training in Function Point Analysis, estimation tools, process improvement workshops

Implementation of Cost Estimating and Analysis Capability



- Reasonable Project Service Costs (PSCs) Accurate PSC cost estimation is essential for the Agency to complete projects on time, within cost and scope
- The PSC Data Library and Benchmarking Tool:
 - Is a framework to develop a NCI Agency project specific data library for future estimates
 - Will serve as a benchmarking tool based on categories of projects and procurement strategies used within the projects from a functional perspective
 - Will include project data representative of future projects for comparable PSC estimates
 - Will provide credibility of funding requests of PSC planning costs for the project



QUESTIONS?



POC Information

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References & Websites

- RTO SAS-069, “*Code of Practice for Life Cycle Costing*”, RTO-SAS-069 Task Group Code of Practices, September 2009

- www.gao.gov