

# ***Headquarters U.S. Air Force***

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*Integrity - Service - Excellence*

## **The Five Pillars of Credible Cost Analysis**



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# Overview

- ❖ Credible Cost Analysis
- ❖ How Can ICEAA help?
- ❖ Closing Thoughts



# Credible Cost Analysis

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# *Objectivity*

- ❖ Harvard Business Review – “Delusions of Success”
- ❖ Weapon Systems Acquisition Reform Act of 2009
- ❖ Interim DoD 5000.02
- ❖ Air Force Policy Directive 65-5
- ❖ Organizational Structure
- ❖ Pressures against Objectivity



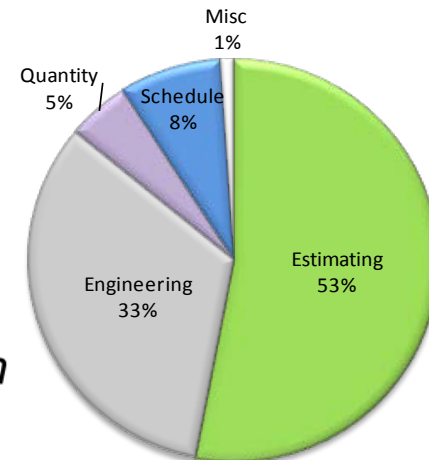
***Organization and Policy are necessary for Objectivity***



# Realistic Baseline

- ❖ Technical & Programmatic Baseline is main ingredient to cost estimating
  - Often overlooked in the estimating process
  - More training needed in this area
  - The Estimating Community must build supporting databases
    - ✓ Size, weight, power
    - ✓ Heritage / TRL
    - ✓ Schedule

*MDAP Cost Growth*



"Straight SAR" Data

***Estimating a Realistic Baseline is YOUR responsibility***



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# *Supportive Culture*

- ❖ Policy – in place for Govt, what about your organization?
- ❖ Organizational structure
- ❖ Build on both successes and failures
  - Demonstrate both good and bad analysis
  - Integrate with Technical, Program Mgmt, and Budget Communities
  - Ask - Where do we need help, and where can we help you?
- ❖ Can ICEAA help here?
  - Professional Training and certification

***Cost Estimators can help build the Supportive Culture we need***

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# *Data, Methods, and Models*

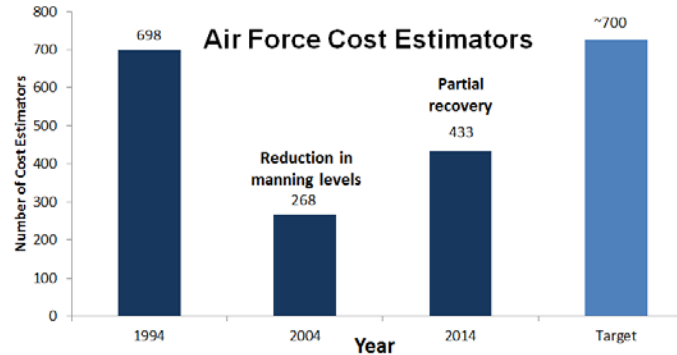
## *This is why we became cost analysts!*

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- ❖ Cost Assessment Guides/Handbooks
  - ❖ GAO Cost Assessment Guide
  - ❖ Joint Agency Cost Schedule Risk & Uncertainty Handbook
  
- ❖ Agency Cost Research – Renewed focus within the AF
  
- ❖ OSD CAPE Initiatives
  - Improve Analyst Productivity
  - Enhance data collection process (CCDRs, SRDR, new *TDR*)
  
- ❖ Joint industry / government groups
  - Joint Space Cost Council (JSCC), CIPTs – Aviation, Space
  
- ❖ Conferences promote creative solutions
  - DoDCAS, ICEAA, MORS, ASMC PDI



## ❖ “Right sizing” the cost estimating community



- ❖ Need the right grade and experience level
  - FY07/13 NDAA – Lead Cost Estimator Requirement
- ❖ Training and certification – ensuring the right skillset
  - ICEAA – robust training and certification program
  - DAU: From BCEFM to BUS-CE and BUS-FM
  - NPS Masters of Cost Estimating and Analysis
  - AFIT Masters of Cost Analysis





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# *How Can ICEAA Help?*

- ❖ Networking
- ❖ Knowledge sharing
- ❖ Training
- ❖ Certification
- ❖ Cost analysis advocate





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# Closing Thoughts

- ❖ Government cost estimators must be honest brokers
- ❖ Foster collaborative environments
- ❖ Challenge technical and schedule assumptions
- ❖ Estimating is leveraging past knowledge to predict future
- ❖ Cost estimating skills will continue to be in high demand





# Basis of Estimate

