

MG1-2: Construction vs. Systems Acquisition Cost Estimating: A Comparative Analysis

Tom Sanders
Kalman & Company, Inc.
4216 Lost Horse Circle, Niceville, FL 32578
thomas.sanders@kalmancoinc.com
850-897-4815

Co-Authors: Steve Essig, Tim Anderson

Abstract: The continued push to improve DOD's acquisition processes includes several thrusts — regulatory streamlining, improving use of incentives, and workforce optimization. These are not new. To deal with these concerns, the acquisition community has a unique opportunity. DOD Cost estimators have recently received a strong "vote of confidence" in the acquisition community; new positions have been created and existing positions have been protected. That is not necessarily so in the construction industry, another large employer of cost estimators. The construction industry has undergone a transformation over the past six years, beginning with the housing collapse in 2006 and enduring through the years of the Great Recession. During that time, construction employment fell 29.4%, and many feel that it will never recover to pre-recession levels. Many of those who lost their jobs are construction cost estimators; they did not fare nearly as well as their fellow estimators in the systems acquisition community. This paper examines the relationship between the two occupations — skill sets; background and education; methods, techniques, and cost models used; levels of compensation; certifications; and even incentives and motivation. The objective is to understand more about the two estimating domains and those who work in them to increase our awareness of the industry in which we work, and to consider new talents and skills to address system acquisition thrusts.

Although the general purpose for preparing estimates is the same, there are significant differences between the two occupations. Cost estimating for construction projects had been around long before it became a formal discipline in systems acquisition. Construction estimators typically assess detailed design drawings and apply parametric cost models to derive estimates for buildings using generally proven construction methods and processes. Most construction estimators work in private industry, where time is money. System acquisition estimators are often confronted with estimating new systems using immature technologies pushing "state of the art," being acquired under frequently burdensome federal government oversight. As a result, differences in approaches have evolved between the two disciplines. It is important that the systems acquisition community understands the differences, since we often see resumes for construction estimators in response to system acquisition job postings. We shouldn't be so hasty to disqualify a construction cost estimator for a systems acquisition job; perhaps a more detailed understanding of the qualifications of construction estimators is warranted. Maybe that would lead to a more diversified DOD estimator workforce and attainment of some of the acquisition improvements sought.