

Transforming Cost Estimation Services

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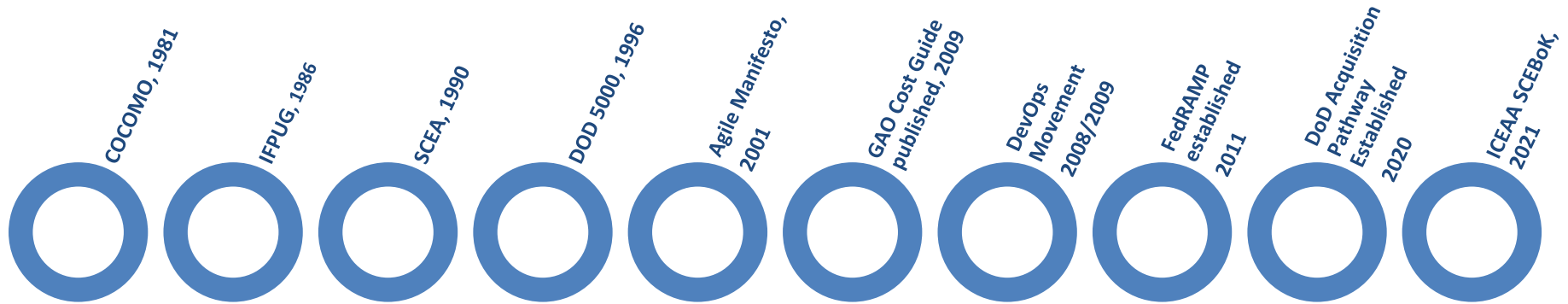


Agenda

- ❖ Major Events in Acquisition
- ❖ Cost Estimation Challenges
- ❖ Cost Estimation Trends
Leading to Transformation
- ❖ Case Study
- ❖ Summary



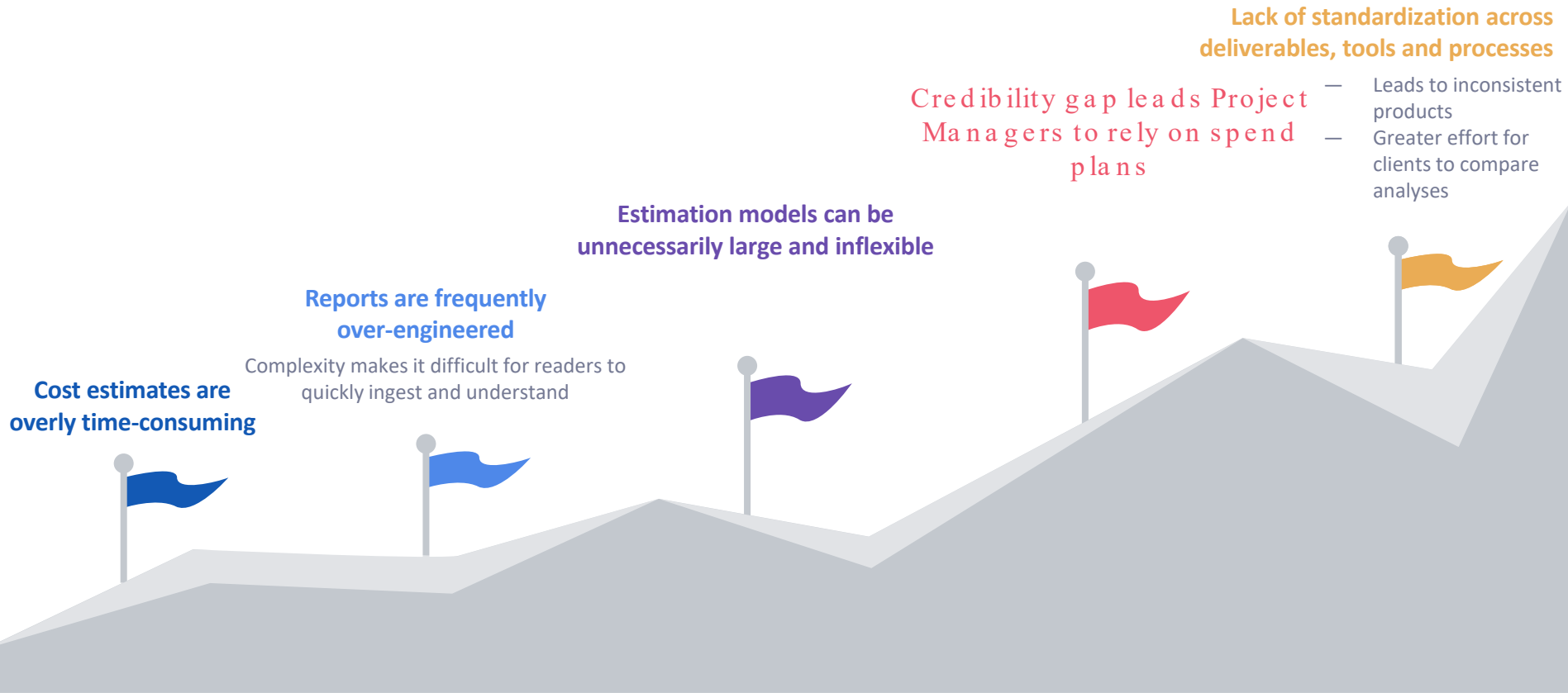
Notable Milestones in Cost and Acquisition



Over the last 20 years, federal acquisition has shifted from large-scale investment to iterative technology projects and emphasis on SaaS and COTS.

The cost community needs to continue to evolve to reduce estimation cycle times.

Cost Estimation Challenges

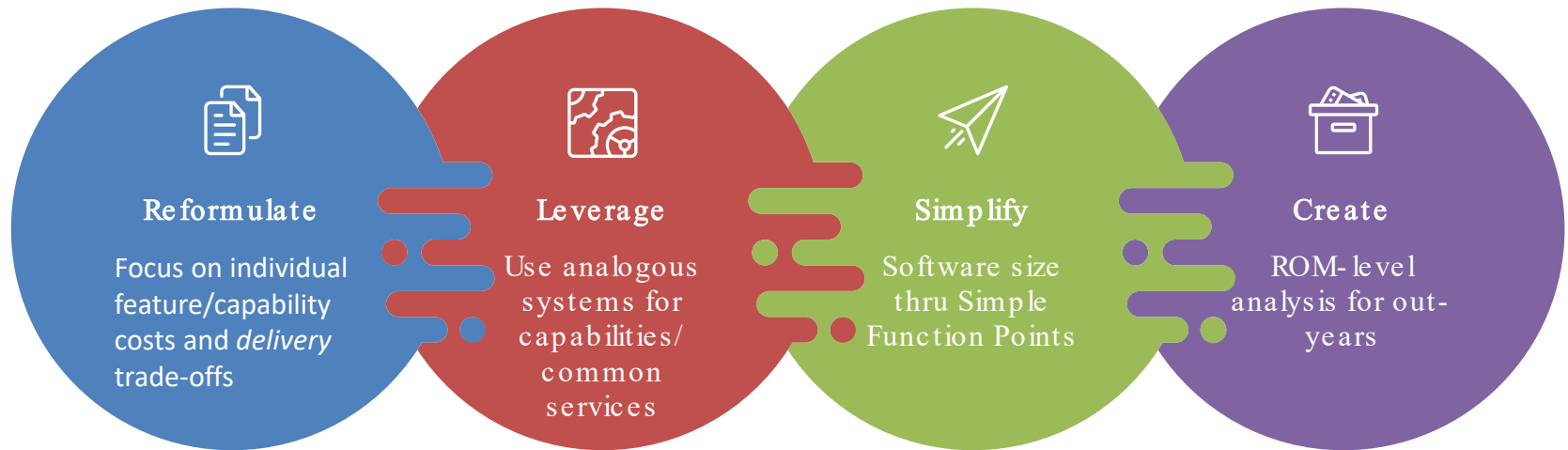


**Changing practices in the cost
community are leading to
transformation...**

Change Estimation Methods to Meet

Needs of Agile Projects

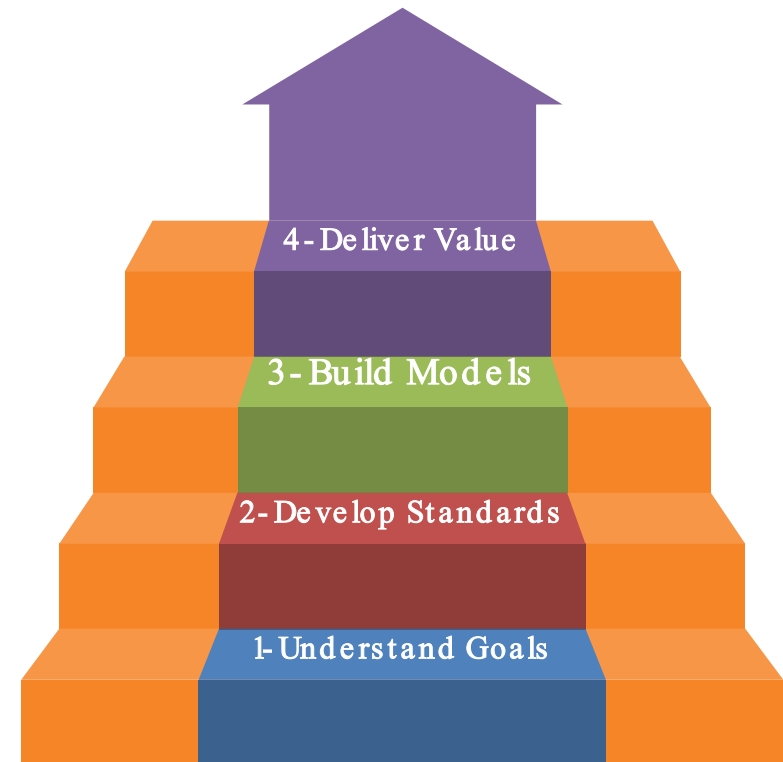
Agile Development requires a unique estimation approach



Process Improvement

Processes should represent core values and principles

- Step 01** — **Understand**
Understand mission, goals and objectives
- Step 02** — **Develop**
Develop standard categories of data, methodologies, develop consistent vocabulary and terminology
- Step 03** — **Build**
Build models that reduce common errors (WBS labeling and escalation), standardize reporting
- Step 04** — **Deliver**
Provide value across PPBE, from estimate through budget execution



Rethink Cost Team

Cost Team structures can influence transformation



Train to Understand Technology

Upskill the organization beyond cost processes

- 🔗 **Data Visualization**
- 🔗 **Cost Estimation**
- 🔗 **Project Management Planning**



Knowledge Management and QA

Knowledge Management is process of collecting cost and programmatic documents



QA should be part of the delivery cycle



Knowledge Management

Core: Store cost models, BoEs, contracts, spend plans

Analysis: Include market research, productivity studies, labor rates, CERs and published studies

Share information across agency

Use standardized templates for cyclical data collection and reporting

QA

Validate Cost Model

QC all products

Apply historical costs and labor rates correctly

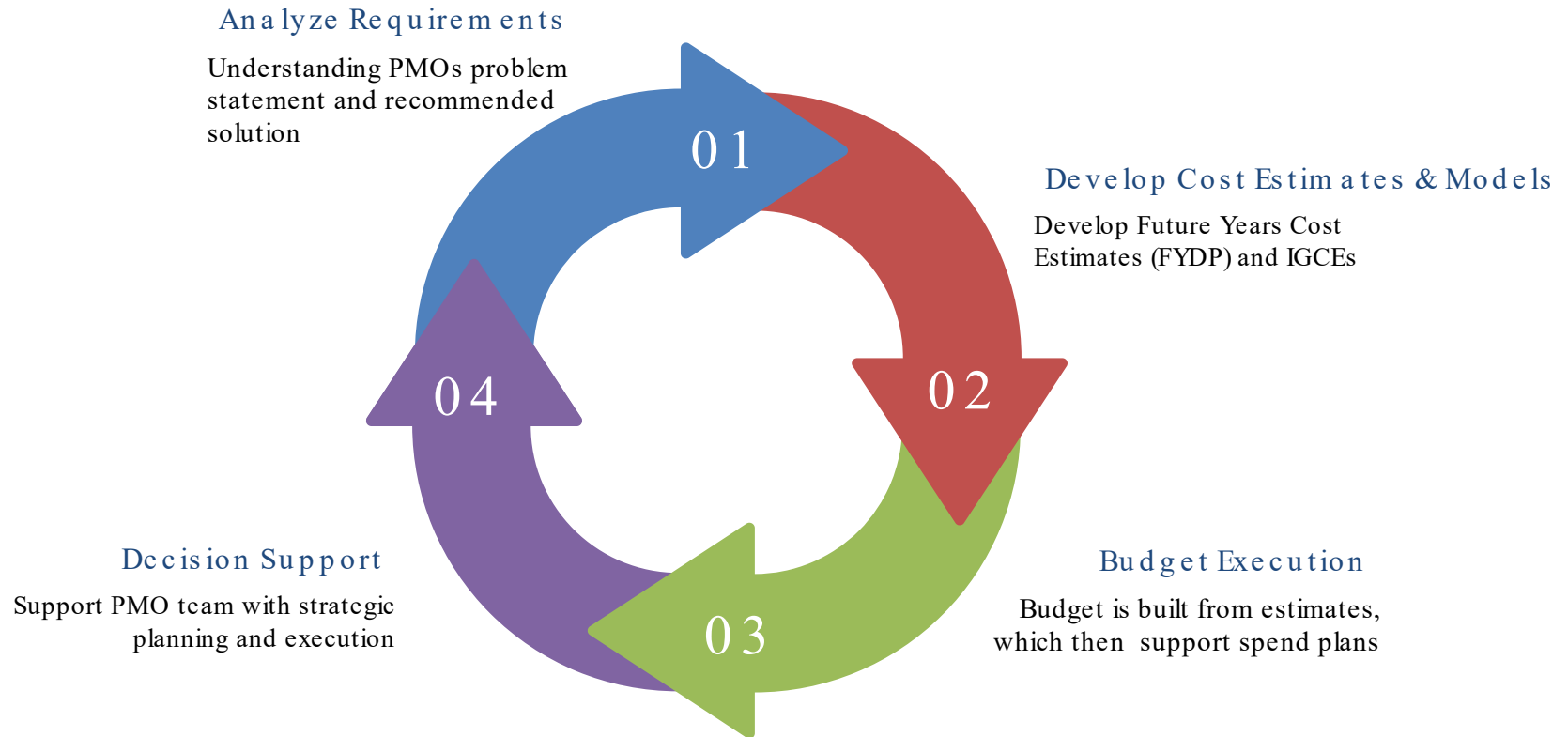
Complete documentation within model

Simplify Deliverables

Estimators should transition from 20th century Basis of Estimates to modernized deliverables



Cost Analysis = $f(PPBE)$



DoD Case Study

Challenge

- POM cycle estimation process was ad hoc and time consuming
- Estimates not aligned to budgets and spend plans
- Cost team not part of quarterly in-progress reviews
- High error rate in cost models (escalation math errors, inconsistent use WBS terminology)

Approach

- Standardize and simplify deliverable to align to program objectives
- Add cost modeling SMEs to train and mentor
- Train entire staff on estimation best practices and model development
- Standardize cost reports

Results

- Standardized cost modeling process
- Established CFO guidance for POM process
- Developed cost estimating/financial management dashboards
- Standardized briefing templates
- Established QA/QC business processes

Lessons Learned

- Continually engage with PMO staff and leadership to ensure common understanding of the team's business value
- Operationalizing cost analysis across entire PPBE framework
- Implement continuous learning for professional growth (strategy & decision support)