

**Are we really helping the “Deciders”
or is it time to review the cost
forecasting process ?**

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Vice Chairman - SCAF

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Background

- Have we lost the ability to think for ourselves ?
- There are shortcomings and these must be recognised and rectified. E.g.
 - Lack of analysis
 - Chucking estimates over the fence
 - Lack of communication
- We must be able to look beyond the question that is being asked of us.

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Observations - an emotive conclusion

Cost Forecasting is losing its credibility in some areas and is being pushed into the background - again !!!!

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Observations

- It appears that the cost estimator is afraid to give an estimate or even a cost envelope.

Can't achieve the accuracy required

Does not want to get shot down

Needs the support of all the stakeholders

Lack of substantiation & transparency

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Observations

- **The estimator is afraid to talk to the stakeholders or seek advice from specialist areas - Peer pressure ?**
- **The only “cost analysis” appears to be in producing an “S” curve.**
- **The desire to break the system down to its lowest level - even at the early stages.**

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Observations

- **Can't do an estimate - we have no data.**
- **Only do what we are asked to do.**
- **We don't properly address dilemmas.**
- **Afraid to show the true uncertainty in a project.**
- **Our outputs are huge tables of too much data and confusing comments**

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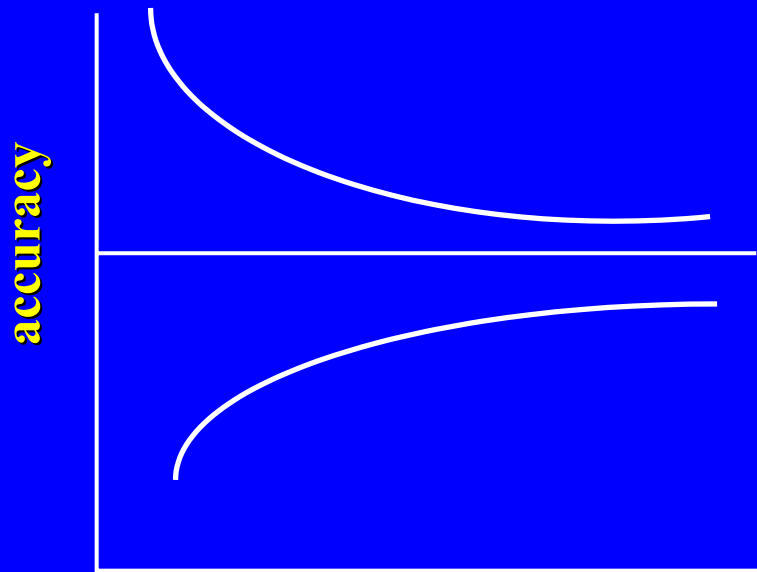
Time to look at the process !!!

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What are we trying to achieve ?

Better Estimating



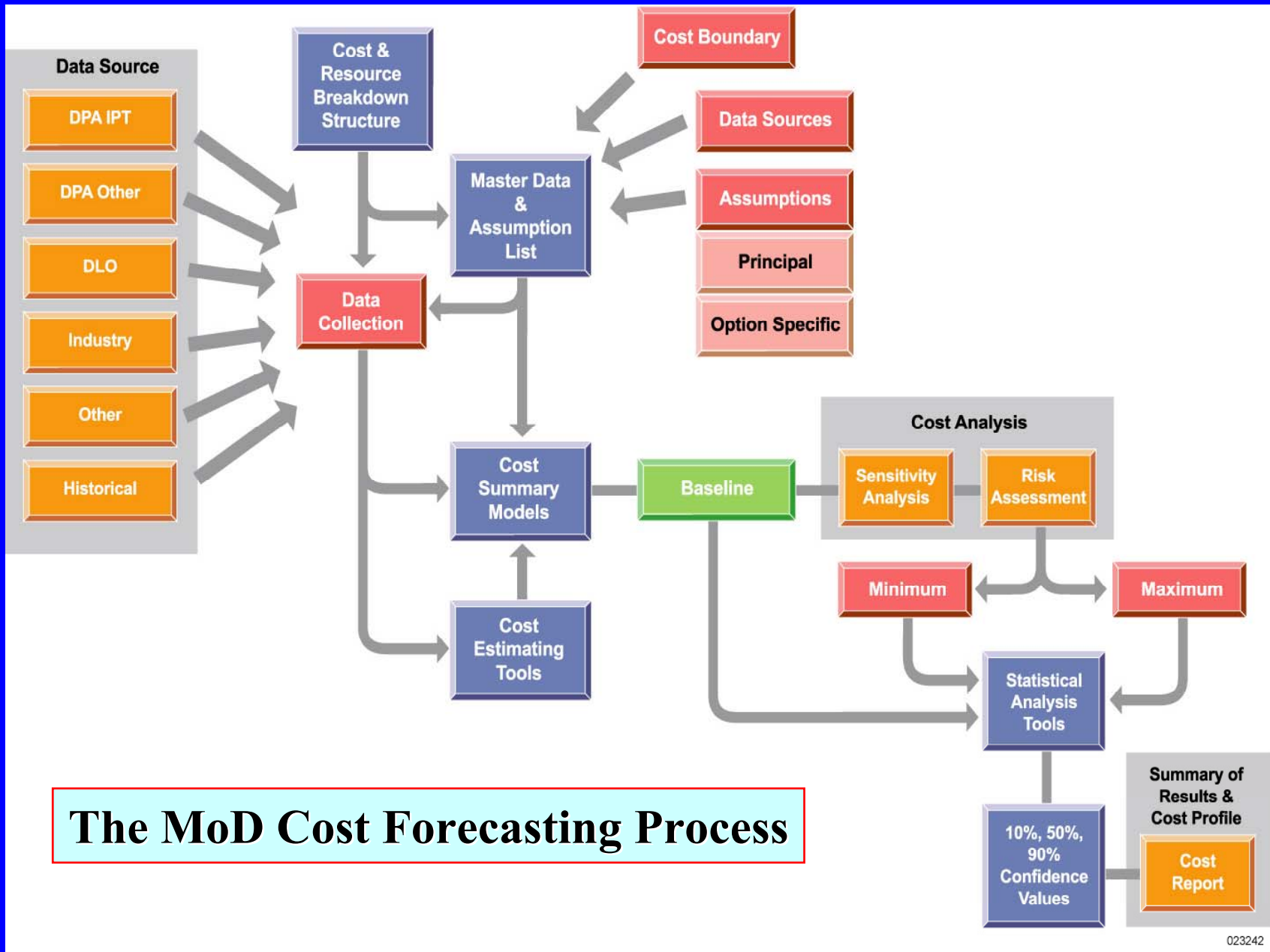
Effort and Time

- ✓ Support the decision process.
- ✓ Should not be conducted in isolation.
- ✓ Take full account of the longer term implications.
- ✓ Take account of risk and strategies.
- ✓ Don't hide behind assumptions.
- ✓ Don't seek exactness when only an approximation is possible.

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“The Traditional Cost Estimating Process”

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The MoD Cost Forecasting Process

What is wrong with it ?

- It takes too long to get from start to finish.
- Can't move without stakeholder agreement.
- It's constrained by the CRBS.
- Not geared up for rapid "What if" analysis.
- Cost, Risk and Time are treated discretely.

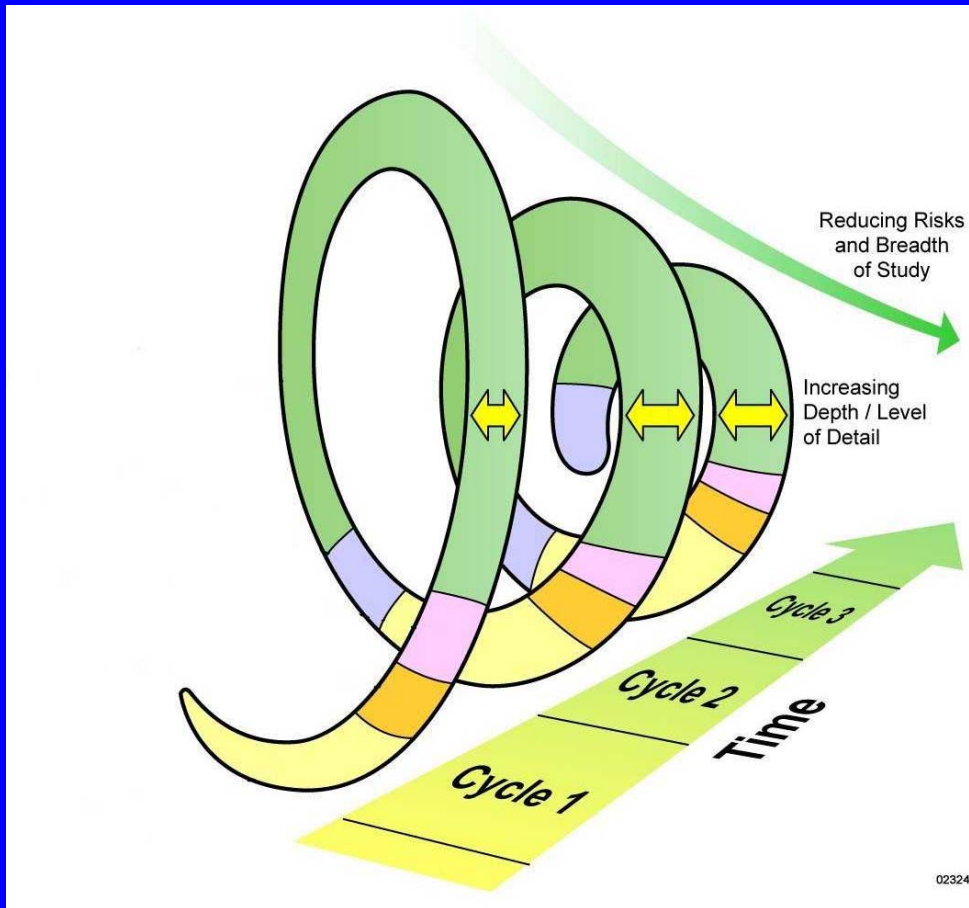
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A suggestion for improvement

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Evolutionary Estimating



End state requirements not known at concept stage.

Requirements and assumption volatility.

Process gives continuous refinement & definition.

Cost analyst must stay engaged with the project throughout the programme.

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How does it work ?

Understand the Context

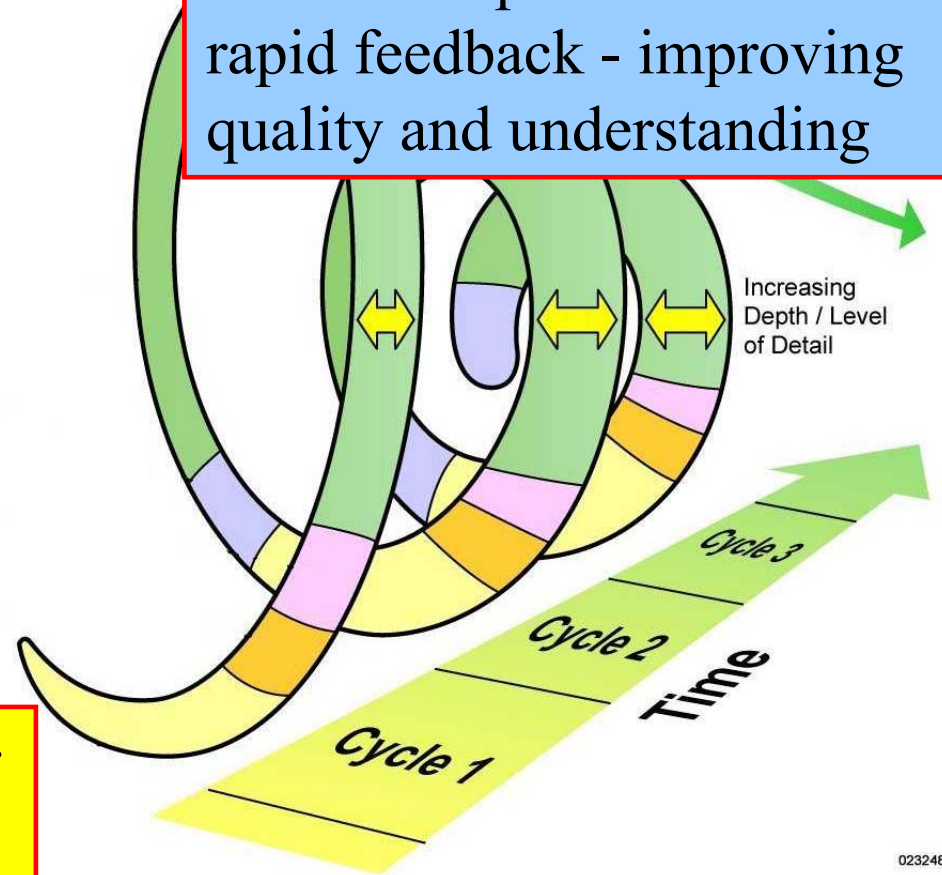
Gather the data

Develop the MDAL

Develop the estimates & Analyse

Highlight areas for further review

Provides rapid estimates and rapid feedback - improving quality and understanding




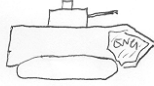


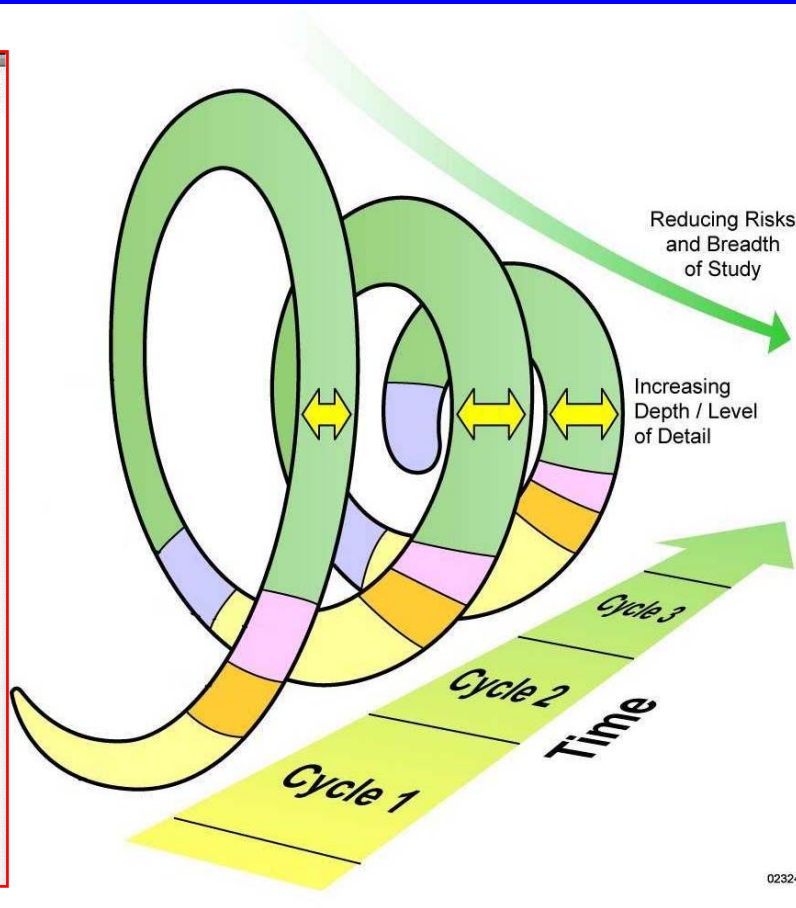
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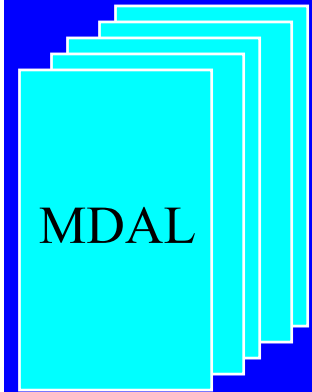
One Page MDAL

Developing the cost estimate

 PRCT MOB 602 COMD 437 IFS (AMDS tuned) $\frac{51}{1090}$ WHEELED / TRACKED OPTIONS 16-18T	 DF 85 MOB SP 39 C MOB SP 47 RRV* $\frac{94}{265}$ TRACKED *WILL NEED WHEELED VARIANT AS WELL, (GREATER NOS.) IF SPLIT FLEET. NB ALSO -> HIGHEST VARIANT 20-22T
 MEDICAL 17 COMMV 173 (FALCON/SUCAS/STAR/BUWMAN/REBR20) LOG SP* $\frac{108}{452}$ WHEELED / TRACKED OPTIONS 18-20T * <= 16T VARIANT	 NBC SUEV 20 SCOUT/CLOSERECCE 228 GB SUEV/STAR 53 ENGR RECCE 131 IFC 67 ATGW $\frac{39}{588}$ TRACKED 18-20T



Multi-Page



Detailed Estimate

ROM Estimate



Benefits from Cyclic Approach

- Quicker estimates with more focused understanding.
- More discussion and involvement with the customer.
- Easier to consider “what if” analysis.
- Presents a more holistic view.
- Not constrained by CRBS in the early stages.

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Concerns of Cyclic Approach

- Needs new “thinking” on behalf of the estimator (dynamic not passive).
- The project will constantly re-prioritise future spiral activities.
- Needs an understanding from the customer that the estimate has to evolve in terms of accuracy.
- Early costs may not be complete.

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Where does this take us ?

DEC/IPT
Budget setting
and solution
investigation

Initial Gate

To ensure the complete picture is investigated it is important that WLCs are generated rapidly at the earliest point to enable informed decision making

Greatest Uncertainty

Solution Space Assessment

Greatest Opportunity

Greatest Added Value

WLC generated for a multiple number of equipment solutions against minimum information

Main Gate

Time Line

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Summary

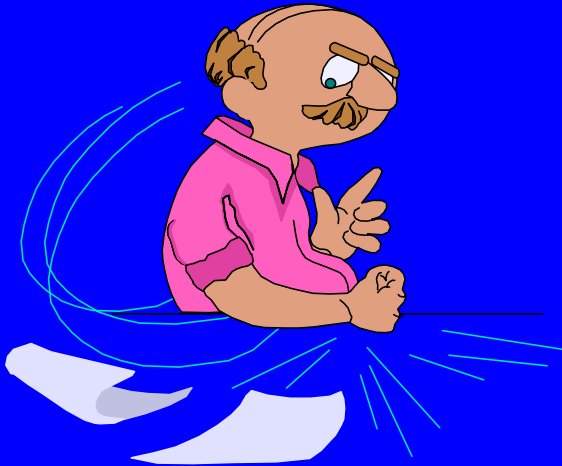
- The current process is good but is cumbersome (can't move without the MDAL).
- Estimates should be revised on an a regular evolving basis - not on demand.
- Top down and bottom up estimates should complement each other.
- More time should be spend on cost analysis.
- Outputs should be meaningful not clever.

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Questions ?



Don't shoot the messenger !!!



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