

DYNAMIC PROGRAM SCHEDULE, COST AND RETURNS ANALYSIS

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WHAT WE ARE GOING TO DO AND WHY

We are going to evaluate a program in terms of the schedule, costs, fee structure and estimated returns.

We want to know if we are going to make money.

ACKNOWLEDGEMENT: The approach within this presentation has been inspired by the teachings of Dr. Sam Savage and my demonstration will use Risk Solver™ software available through Frontline Systems; other useful software is @Risk from Palisade Corporation and Oracle Crystal Ball.

HOW WE ARE GOING TO DO IT AND WHY

First, using a deterministic approach for estimating factors, using expected or desired point value assumptions.

Second, using a stochastic approach for estimating factors, using a variety of stochastic assumptions.

We want to know if we are going to make money; AND how sensitive our outcome may be based on our assumptions and the unknown uncertainties.

OVERVIEW OF THE PROGRAM

The Program: *Requirements*

Provide a recommendation with supporting analysis regarding whether or not a proposed organizational change should be implemented.

We have three interim deliverables due at 150, 180, 210 days respectively with a final deliverable due in 360 days.

OVERVIEW OF THE PROGRAM CONTINUED

The Program: *Fee Determination*

The first deliverable is due in 150 days and is worth \$100K

The second deliverable is due in 180 days and is worth \$150K

The third deliverable is due in 210 days and is worth \$200K

The final deliverable is due in 360 days and is worth \$550K

Each interim deliverable is subject to a 10% bonus if more than 20 days early and a 10% penalty if more than 10 days late.

The final deliverable is subject to a 10% bonus if more than 60 days early; a 5% bonus if more than 30 days early; a 10% penalty if more than 20 days late; and a 25% penalty if more than 40 days late.

SOME QUESTIONS...

How long will it take?

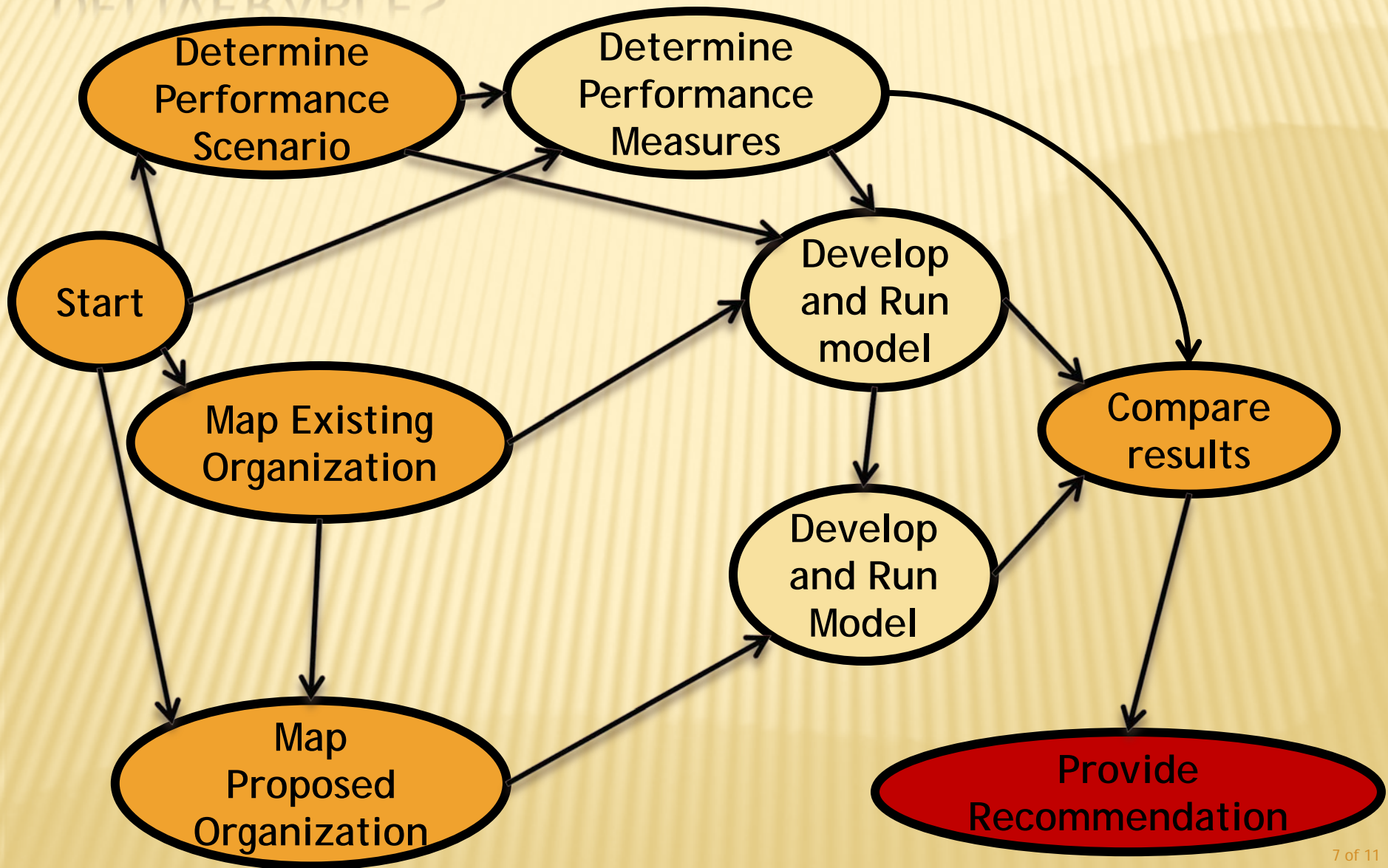
How much of the potential fee will we earn?

How much will it cost?

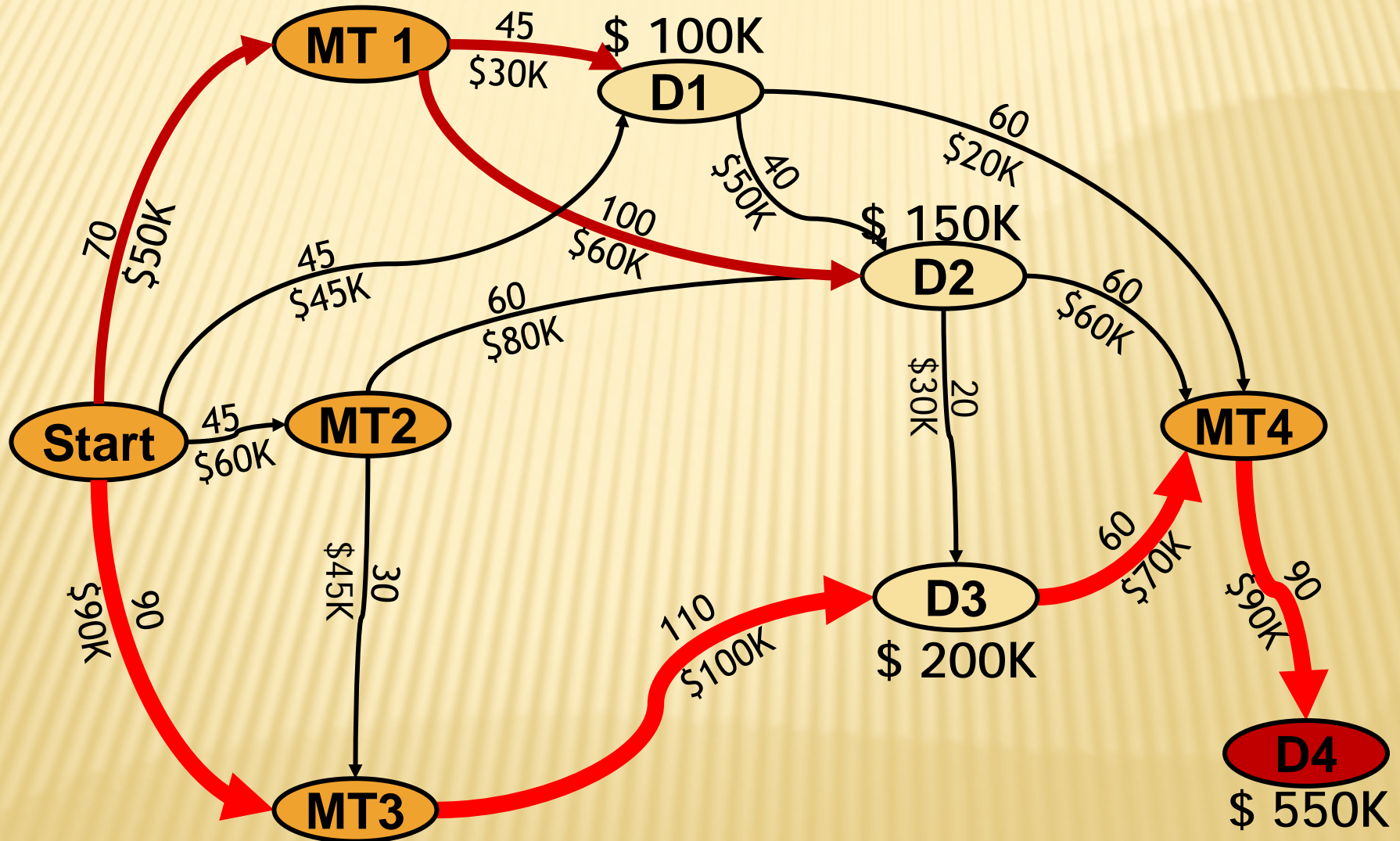
Ultimately - How much money will we make?

And...are you sure?

HERE ARE THE MAIN TASKS AND DELIVERABLES...



Here they are again, identified as Main Tasks (MT) and Deliverables (D) with estimates for times and costs; base fee amounts for each deliverable as well as the critical path identified for each deliverable and overall...



DETERMINISTIC EVALUATION...

The expected time and anticipated fee for each deliverable and expected overall program cost are therefore...

D1 - 115 Days = \$100K (No bonus or penalty)

D2 - 170 Days = \$150K (No bonus or penalty)

D3 - 200 Days = \$200K (No bonus or penalty)

D4 - 350 Days = \$550K (No bonus or penalty)

Total Fee = \$1M (No bonus or penalty)

Total cost = sum of costs for all tasks and deliverables = \$880K

CONCLUSION...

We will finish on time for each deliverable and overall, we will earn no bonuses but incur no penalties and we will make \$120,000 (approx. 13.6% return)

We mapped all process steps and documented all assumptions

What could go wrong?

Shift to Demonstration