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# Estimation: The Politics of Program Management

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## Introduction:

There are five paramount important parameters of business client always uses to consider any work to be done, any plan to execute and any other work which has association with the business. These parameters are Cost, Schedule, Performance, Quality and Support. If the deal is not successfully passed through these parametric determinations, it will never be resultant. Clients are prone to think in terms of expenditure and its outcomes. This expenditure includes the cost of doing business and related activities, which has impact on business in either manner. Because of vary nature of financial aspects of business; clients are always trying to do the business at as least as possible cost with the most possible maximum beneficial outcome. Thus in determining the value of work in terms of associated cost, schedule and performance, determination of work in terms of time, money, complexity and usability is always play a vital role. Client always wants the work in the shortest possible cycle of time, with maximum output and supreme quality with performance. These are the key weakness of client too, and well-learnt managers can play with it very nicely. “The numbers (Estimate)” is the key weapon of managers to deal with client in terms of exploiting their key weakness, and thus to make the favorable deal to the most possible extent.

## Importance of Estimation:

Estimation is a magic word in the world of business. Any work, any services and anything related to business is always evaluated first in terms of estimates. These estimates give the value of work to be carried out, the services to be taken, the action to be performed, the idea to be incorporated and so on. After having the values of estimation, it is evaluated in terms of cost, time, opportunity and benefit to the business. It is said that estimation is the root work of any business related work, and if the detail of estimation is not favorable means the work will never going to be executed, and there shall be no deal.

We should not forget the fact that estimates is nothing but the guess. No body can give the perfect detail of estimate until the work furnished or the work is 100% similar to the previously done with same parameters of assumption, risk and uncertainty. Generally when the clients find a need of work/program/project to initiate, there is no information available with them so that they can determine the detail of work, its complexity, time and needed budget. At this stage there is no detail available of what to do, how to do, simply idea or concept prevails. Once the concept and need arises, the consultation begins with the aim of getting information of the boundary of work to be undertaken, a ballpark estimation.

Executives use this estimation to evaluate the range in which work to be confirmed or is worth to moving forward. Once they find the ballpark estimation within the considerable range, they can make a decision on weather the further exploration is reasonable.

It is always expected that estimation should be carried out properly and truthfully, because erroneous data of estimation gives false signal of action and later when the reality exposes itself, the cost of wrong doing becomes too much to the organization. Often lower estimates results in cost overrun to the organization and over-estimation results in misuse and improper utilization of business resources, which may be used for other beneficial purpose. There are various types of estimations used at various level of evaluation such as ballpark or order of magnitude, rough or fair estimate. Estimate data are always represented in terms of man months, man per year, and man hours and so on depending on the size of work.

The ballpark estimate is generally 2-3 times higher than actual value; where as rough estimate is around 50-100% off the actual value. To determine the time of execution it is always best to follow the fair estimate as you may require defining the time and margining for the organization. The estimation should account the complexity of work and its size as it is not the only work count, it also needs to count required work to handle the finished work. The numbers derived from using these estimation methods provide you flexibility of negotiation and ground to play the number game with client.

**Client view of number and time:**

Never assume that client does not have exact detail of estimation for his work. They may be playing a number game with you to squeeze the cost. What you can do is find out the possible flexibility of client to play the number game. As fair as your judgment with respect to your study and experience with client, higher are your chances in wining the number game.

All the program organization has undergone or sponsoring are reviewed at a definite stage of time and progress. If during the review client found that the estimation given was much higher than actual and delivery of the work would come at low, means the estimation given was too padded, and may be the reliability of organization estimation team question marked. If the estimation given was lower and the delivery takes on high, it hints that estimation given was wrong and estimation team hasn't accounted all the required detail in counting. It shows immaturity on the part of estimating organizational team.

The one of the responsibility of program manager role is to provide the best guidance and advice possible about what is required and necessary to complete the program. Program manager should be aided by project manager about the detail of work and considerable risk, assumption and uncertainties. Client/Sponsor and Program manager has to account this all detail while defining the strategy for securing the necessary funding for the program. Whatever is the play of number game going on while dealing and finalizing the deal for program, the fact is that client wants the program to be completed within defined boundaries and program/project managers wants to be successful in delivering the program that meets the need of client. Whatever the result of number game, the client and program manager has to ascertain this fact and work accordingly. Program manager should confirm with the client to provide the required level of support whenever required in terms of cooperation to finish the work as expected and in case of uncertainty and major risk identified to be realized. They should also finalize the strategy of how the funding will be secured and delivered, what would be the delivery strategy and how the end of the work will be carried out.

**Negotiation on numbers:**

Proper use of Estimation method increases the power of negotiation of program managers. It enables them to understand the underlying assumptions and uncertainties if any and its magnitude, which may be deciding factor for the work to be done. Higher the reliability of estimate, higher will be the negotiating power of program manager.

While negotiating the cost and time with client, it is must to keep in mind the reality of estimated time, cost, complexity and associated resource requirement, otherwise the number game may turned in to futile lose to the organization in terms of expense to fulfill the erroneous commitment.

Always follow the rule of proportion for estimation ~ time ~ Complexity ~ Resources ~ Cost for client organization. Often strategic business initiatives are overriding this rule but it does not lessen its applicability.

**Effect of numbers on business deal:**

Program manager has to always think in terms of reducing the cost but not organizational margin while dealing and negotiating. This margin is the life supplement input to the organization. Higher the margin, better the opportunity for organization to handle the unexpected event and risk associated with the project. It also helps organization to deploy additional resources if required to finish the work within defined boundaries to satisfy the customer. But if the deal is done on cut-to-cut basis, it merely represent good opportunity to organization do their best as deployment of additional resources will affect the balance-sheet of project as well as organization too.

It is often seen that deal of work is generally done by either sales team or higher management, and then imposes the work to deliver within constrained boundaries which they used to get the work from client. It not new in software industry that in such deals opinion of project manager is least bothered and does not given enough weight as his data may hampers the lucrative look of their offer to client.

On the other hand, Project managers are generally not ready to commit for the deliverable deadline, cost, time and resource estimation, until they get the high level of certainty about estimation numbers using various sequential methods such as using Project requirements, knowledge of project customers, level of agreement of other project stake holders, technical viability of solution, WBS, Historical data, expert judgment, risk, assumptions, FP, use case stories and so on.

Often it is seen that interest and fear of project/program manager and client/sponsor are colliding if the estimation is not in reliable range of intellectual acceptance for either audience. To avoid such intersection, it is best to update the stakeholders about the revision in estimate if any along with periodic update and accounting for change control.

**Summary:**

In the world of corporate decision makers, estimation plays a key role in determining the feasibility of work/project/program to be carried out, and framing the boundaries for its functioning. Nonetheless, to derive the perfect estimation is mere a mirage even to an expert until it getting executed. It's not new that sr. management and client are generally presented with the detail they like to listen, but it case of estimation it might not true, so to please superiors and client often estimation is played enough as a number game. Clients are trying to shrink the estimation length to reduce the cost and time, and program managers are trying to match up the client expectation by using various means so that work would be done at a reasonable cost where cost may be minimized but margin to be enhanced.

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