IFPSM
INTERNATIONAL FEDERATION OF PURCHASING & SUPPLY MANAGEMENT

ADACI Associazione Italiana Acquisti e Supply Management

ADACI FORMANAGEMENT

CONVENTION INTERNAZIONALE SUGLI APPALTI PUBBLICI

INTERNATIONAL CONVENTION ON PUBLIC PROCUREMENT

Roma, 6-7 Novembre 2025
Roma Eventi
Centro Conferenze Fontana di Trevi
Piazza della Pilotta, 4 - Roma

Rome, 6–7 November 2025
Roma Eventi
Fontana di Trevi Conference Center
Piazza della Pilotta, 4 – Rome

IFPSM Europe - ADACI
International Convention on Public Procurement
ROMA-NOVEMBER 6-7/2025

ADACI

IFPSM Europe - ADACI
International Convention on Public Procurement
ROMA-NOVEMBER 6-7/2025

Should Cost Analysis is the basis for Performance Analysis

unison
Steve Robinson
steve.robinson@unisonglobal.com
Business Development Executive, Unison Cost Engineering

IFPSM
INTERNATIONAL FEDERATION OF PURCHASING & SUPPLY MANAGEMENT

ADACI Associazione Italiana Acquisti e Supply Management

ADACI FORMANAGEMENT

Introduction

Unison Cost Engineering

- Part of Unison Global – US based software company delivering technology solutions to support US federal procurement processes
- Unison Cost Engineering
  - Provide parametric costing software in support of government and commercial customers Worldwide
  - Work in partnership with companies in specific geographical locations to support cost engineering in those locations

Creasys

- A business and engineering support company
- Focused on Governance, Cost Management, on Digital Transformation and Technical - Engineering Support
- Work specifically with Unison Cost Engineering to deliver Should Cost analysis to Italian MoD and INPS – National Social Security Institute

Introduction

- Performance measurement is hard
- It’s even harder when there is no basis to understand what the performance is being measured against
- If the initial procurement cost is not challenged how can performance be appropriately measured
- Challenge the procurement cost through Should Cost Analysis as this should be the foundation for Performance Measurement

What is Should Cost analysis

- **Should Cost Analysis** is a method used to estimate what a product or service *ought to cost* — based on objective data rather than just taking the supplier's price at face value.
- In the context of **government procurement**, it means breaking down the total price of a system, service, or IT solution into its components — like labor, materials, infrastructure, overhead, and profit — and then assessing each part to see if the overall price makes sense.
- **Why It Matters**
  - **Better negotiation:** It gives procurement teams a strong factual basis for price discussions.
  - **Transparency:** Helps uncover inflated or inefficient costs hidden in large contracts.
  - **Informed decisions:** Ensures agencies understand *why* something costs what it does — not just *what* it costs.

National standards

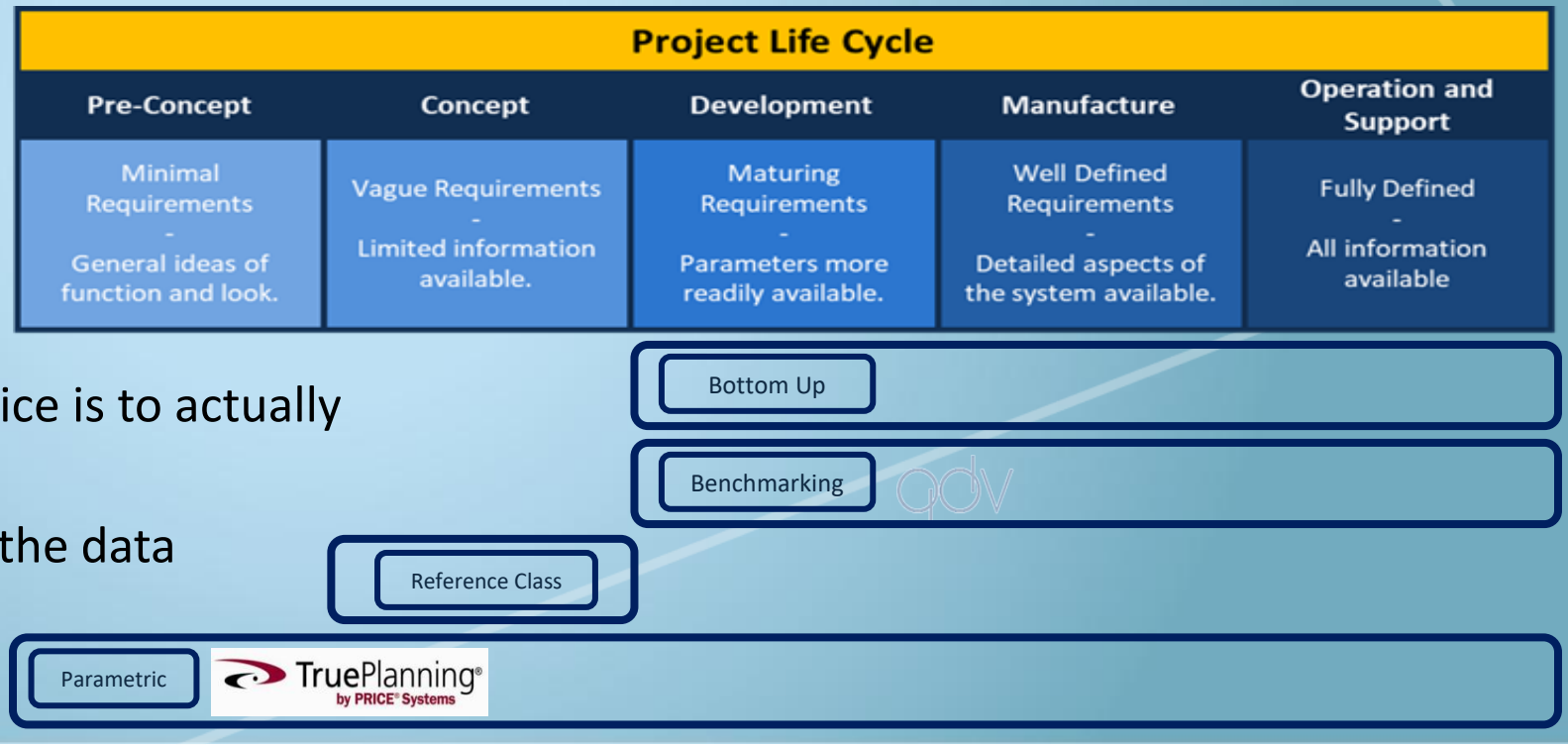
- Netherlands NPR 5333
  - To give organisations an objective and transparent way to measure what agile software teams deliver (their output) and how much they improve over time.
    https://www.nen.nl/en/npr-5333-2025-ontw-nl-333678?utm_source=chatgpt.com
- UK Treasury Green Book
- South Korea Defence Procurement
  - Departmental guidance regarding the use of parametric estimation to support procurement decisions and budget setting
- Italian INPS
  - Departmental guidance
- Italian Defence Procurement
  - Departmental guidance

Should Cost analysis

- Needs to be a live document
- Allows for change in requirements to be assessed
- Provides insight into cost drivers and the assessment of vendor capabilities
- Links these capabilities to the impact that they have on the cost, effort and schedule associated to the delivery of the project

Should Cost analysis

- How it's done is open to interpretation
  - Benchmark
  - Reference-class
  - Bottoms Up
  - Parametric
- All approaches have their supporters and benefits
- It could be argued that best practice is to actually use combination of all 4
- They only really work if you trust the data



Should Cost analysis around the World

Belastingdienst – The Dutch Tax Office

- Developed an in-house probabilistic estimation model
- Utilising NESMA Function Points
  - ISO/IEC 24570:2018 to measure the functional size of software
- Incorporating functional size with historical data to provide a probabilistic based set of metrics
- Used to determine the budget and affordability of IT projects

HMRC – UK

- Similar approach to their colleagues in the Netherlands
- Internally developed estimation models to support budget setting and procurement
- Based on HMRC historical data

Should Cost analysis around the World

- INPS
  - Outsourced support to Creasys and using a commercial parametric estimation tool from Unison (TruePlanning) as INPS requires 3rd party independent support
  - Utilise ISO approved functional sizing approaches to understand the size of projects
  - Create Should Costs to evaluate the amount of effort for
    - Development and Maintenance projects (irrespective of development approach)
    - Specialist Technical Support projects
    - Specialist Administrative Support projects
  - Effort used as the basis for measurement because it offers the largest scope for negotiated savings

Should Cost analysis around the World

Defence Departments – Challenge

- Defence Departments
  - Complex systems of systems type projects
  - Typically represent a governments largest expenditure
  - Typically attract the most scrutiny
- Not limited to some governments and multinational organisations (NATO), but all have similar issues

Approach

- NATO, Germany, France, UK, Italy, Australia, S Korea, USA, Canada, Japan
- Departments or organisations within Procurement to assess bid responses
- Establish, through parametric estimation, a Should Cost for development, production and through life

Should Cost analysis around the World

- For the past 3-4 years Unison have been working with several automotive OEM's in both the passenger and commercial vehicle sectors. The following are examples of some of the projects that we have worked on

Applications	Description	Outcome
BMS	Analysis of an upgrade to a BMS system to include greater diagnostic capabilities	Reduction of 40% of the initial vendor quotation
Body Control Module	Support to negotiations for the continuation of the development of the BCM	Reduction of over 40% in initial proposal equating to a saving of €4.3M
	Support to negotiations for the extension of the project scope	Savings of €4M
	Support to negotiations of two (2) specifically cyber developments	Savings of approximately €3M
General portfolio	Cost analysis of a small number of projects (7 in total, representing £1.48m of software spend) for a passenger vehicle OEM to determine value for money of the software cost estimation process	Savings of £220k (~15%) over the small portfolio of projects
General portfolio	Cost analysis to support between 5 and 15 strategic projects	Savings of approximately 20-30% (>€10M) over the portfolio
Connectivity Gateway	Support to negotiations for the procurement of a connectivity gateway, adding software Should Cost analysis into the already established Hardware/Electronics process	Software represented 50% of the total costs of the project. Negotiated reduction of ~30% or €3.5M in software costs

Performance measurement

How

- Estimate created as part of the should cost analysis MUST remain a live document throughout the delivery of the project
- Changes to requirements MUST be considered
- Without this consideration it is impossible to explain how well vendors performed against the baseline estimate

Why

- Naval programme in the UK – Production of 6 ships with a starting estimate of £600m per ship became £1.2b per ship
- Questions raised in UK Parliament as to why such a huge overspend.
- Unable to be answered in a timely manner with “casualties” to some senior people
- Relationship strained between industry and government as the blame game started
- Bottom line - requirements changed which were NOT reflected in the estimate and an appropriate audit trail could NOT be established

IFPSM Europe - ADACI
International Convention on Public Procurement
ROMA-NOVEMBER 6-7/2025

Thanks for your time

Questions ???

unison
Steve Robinson

steve.robinson@unisonglobal.com

Business Development Executive, Unison Cost Engineering