



# Cost Estimate Development Plan

Checklist for cost estimate  
development



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# Introduction

Thank you for your interest in this e-book. I hope you will find value in the content presented.

Doina Dobre, P.Eng.

The development of any cost estimate involves a set of steps which, if not performed, most likely will lead to a low-quality cost estimate.

It is critical to have a plan before we start any work on a cost estimate. There are many decisions we need to make up front, before the cost estimate is being developed. Think of this planning process as the road map to achieve a reliable cost estimate.

## Key Steps in the Development of a High-quality Cost Estimate

In this short document, we will be looking at:

- The challenges of developing a high-quality cost estimate, and how to overcome them
- Review all available project documentation
- Define the purpose of the cost estimate
- Set-up the Cost Estimate Development Kick-off Meeting
- Develop the cost estimate schedule
- Develop the Work Breakdown Structure
- Develop the cost estimate

This document is meant to be just a brief introduction to the topic of cost estimate development.

Doina Dobre, P.Eng. Senior Cost Consultant

# About The Author

Hello, my name is Doina Dobre. I am a senior cost consultant with Emerald Cost Consulting.

I have an Engineering Degree in Bridge Design and over 30 years construction industry experience.

## My expertise

I provide cost estimating for projects in the heavy civil, infrastructure, industrial and commercial building construction. My expertise covers both, conceptual and detailed cost estimating.

I have gained my knowledge in the cost estimating field through many years of working on construction sites, observing and measuring construction performance on various types of projects, and through practicing cost estimating for 20+ years.

## My hobbies

I love gardening, reading, skiing and cooking. We have a camper and love to run away from the city at summer time, with our two dogs, and enjoy a quiet weekend by the lake.

# Cost Estimate Development Plan



## Introduction

Construction cost estimate development plan is a key ingredient for delivering high-quality cost estimates. Such plan is implemented every time we start working on a cost estimate.

We adjust the plan to fit the current cost estimate requirements and make changes to our plan as we learn what works and what does not.

- Implement a system
- Adjust for better performance

If we follow this two steps with every cost estimate we develop, we will increase the quality of our work as cost estimators, and improve our efficiency.

## The Challenges

Your biggest challenges as a cost estimator:

- Availability of accurate and complete project information
- Have access to cost data
- Produce a cost estimate which meets the expectations of the review team
- Meet the deadline for the cost estimate completion

Validate the cost estimate

To achieve the goal of developing the high-quality cost estimate, the cost estimator has to overcome these challenges. The key ingredient here is to prepare and implement a cost estimate development plan.

## Overcoming the Challenges

Here are the steps we want to implement to overcome those challenges:

Plan the cost estimate development activities

Measure the performance

Ask for feedback from the review team

Adjust your plan for the next cost estimate

Rinse and repeat!

## The Strategy for Achieving High-Quality Cost Estimates

Drawing from my many years of cost estimating experience, and based on feedback I received from many cost estimators, the following are my

recommendations:

### 1. Review all available project documentation

Before we start working on a cost estimate, we need to understand the project scope. We also need to understand if the documentation made available to us is complete to answer our questions related to the project scope of work, technical requirements and commercial terms and conditions.

When we review the project documentation, and throughout the cost estimate development steps, we want to:

- Ask for clarifications
- Take notes of all missing/incomplete information
- Set-up a request for clarifications registry
- Set-up a risk/opportunity registry and add all relevant information
- Make it a habit to review documents for all specifications which might have an impact on cost

Build-up the project in your mind theatre and take the time to see the big picture

## 2. Define the purpose of the cost estimate

Not all cost estimates are created equal. Depending on the end use of the cost estimate, the time and effort which go into the development of the cost estimate vary.

Is the cost estimate required for a tender submission?

Or is it a cost estimate for a budget on a project? If this is the case, what is the expected accuracy?

## 3. Set-up the Cost Estimate Development Kick-off Meeting

In the vast majority of cases, the cost estimator will go through a cost estimate review meeting once the cost estimate is complete. Who is part of such meeting depends on company to company and from cost estimate to cost estimate? Regardless, the cost estimate review meetings are an important step in the cost estimate validation process, so we do not want to take any chances. This is why we have to prepare ahead of time and increase the chances of delivering to the expectations of the review meeting participants.

Here are my recommendations to follow a successful kick-off meeting, step-by-step:

Invite all cost estimate review team members.

Feel free to invite construction professionals within the organization you are part of; they might have valuable input.

Discuss:

Constructability methods

Price sourcing strategy

What scope of work will be subcontracted?

What scope of work will be self-performed?

How many quotations will be required to validate a price?

## 4. Develop the cost estimate schedule

If we do not have a plan, most likely we will fail. The cost estimate development schedule is the most important item every cost estimator needs to create for every cost estimate. Why? It gives us insight into the effort required to develop the cost estimate, and the roadmap to get there in time. Most likely your cost estimate has a deadline. You want to assure yourself, and all other parties involved in the process, that such deadline is achieved. For that to happen, this is what I recommend:

List all activities required to be performed for completing the cost estimate

Estimate the time required for each activity

Build the schedule logic and determine the milestones

Determine the resources required for the cost estimate completion

Communicate with management regarding the resource requirements

Build in time for cost estimate reviews

You will be surprised of the insights such a schedule can provide. Armed with such a schedule, you will be in a position to monitor the process, signal any short-comings and request additional help if needed.

If you ask the career cost estimators, most of them list the lack of time as the most impactful obstacle in achieving high-quality cost estimates. Rushing

through at the last minute to complete the cost estimate, it is not only dangerous because mistakes can be made, but it also decreases the level of confidence in the cost estimate quality overall.

## 5. Develop the Work Breakdown Structure

One of the key ingredients of a great cost estimate is the **work breakdown structure**. I will not go into detail of why this is the case here.



At a high-level, a great WBS will have to meet the following requirements:

- The tender closing and submission
- The cost estimate review process
- The price sourcing strategy
- The construction methodology
- The estimate validation and benchmarking

The internal database structure

I cannot tell you how many times I came across cost estimators who do not grasp this concept. If you want to be great at what you do, strive to keep the points listed above in mind when you develop the WBS for each estimate. It will save you a lot of stress during and after the tender closing while giving the cost estimate review team the confidence they need to make recommendations for changes and to validate the cost estimate.

## 6. Develop the cost estimate

By now, you will be well prepared to start working on the cost estimate, by following this sequence:

Develop the quantity take-offs based on WBS and price sourcing strategy

Develop the direct costs

Develop the indirect costs based on preliminary construction schedule

Optimize resources

Update costs as they become available from subcontractors and suppliers

Incorporate all additional information if applicable (changes to the project documents, clarifications, etc.)

Price and incorporate risk items as applicable

Review the cost estimate draft with the review team

Update the cost estimate as per review recommendations

Update costs as more information become available from subcontractors/suppliers. You will see that this step will most likely be active until very close to the tender closing time.

Perform the final cost estimate and tender submission review.

As with all processes, we will want to amend and improve the cost estimate development plan.

With each cost estimate and tender we close, we learn what works and what does not work for our specific circumstances.

This plan is not intended to be the answer to all cost estimate development steps, but to provide a baseline.

Delivering high-quality cost estimates is a skill which can be learned. If you are interested in learning cost estimating, step-by-step and in a format which follows a teaching and training format, please check out my courses on cost estimating. Each course has a few free lessons, so you do not have to commit to payment unless you feel the course is right for your learning objectives.

Best of luck with all the cost estimates you will be working on. Have any feedback? I will be happy to hear from you. Please use the space below to leave a comment.

Thank you for reading!

# Thank you!

If you liked the content in this brief document, I invite you to check out our short cost estimating courses.

Learning how to develop a quality cost estimate involves many skills and knowledge. Learn them, one at a time.

[Cost Estimating Courses](#)