PROJECT MANAGEMENT COSTS

How to estimate the cost of a software project?

If you want to know how to estimate the cost of a software project, you should know the most common approaches to budget estimation and key factors that you need to take into account

To be successful you need to be able to estimate almost everything in your project

It is also important that you are sure that what is specified will also be done and in the way and costs you specified

STEP #1. INVOLVE STAKEHOLDERS IN THE PROCESS

Involving your customers or stakeholders at the very beginning of your project not only improve the definition of your requirements but also the estimation of the costs and effort for implementing them
For example, if your client has unrealistic expectations about the project - just show him the expected budget
Your customer will be ready to cut unnecessary functionality and just leave only important elements

STEP #2. DEFINE A BUDGET AND NOT ESTIMATE

Even experienced professionals fail to provide an accurate estimation
To reduce this risk, stop creating an estimation and start developing a budget
To help you in this consider the following decisions:

Use/add internal resources or outsource?
Do you need to code this set of stories next?
When do you need to start working on the first feature?
Do you need a new/additional skill?
Do you need trainings
Do you have past estimations that are reliable for some tasks or investments?

STEP #3. DEFINE OPTIONS OF BUDGET

Identify and define the budget for the single packages identified as "must-have" and "nice to have" elements of the project

Compulsory features will influence the whole project

Additional components will make a product/service more functional

It's up to you whether include in the budget required parts or the range of features

Let your customer decide

STEP #4. BREAK DOWN REQUIREMENTS TO REFINE YOUR BUDGET

If you have a reasonable level of requirement breakdown you can track better the costs of your project

Especially in Agile projects in sprint of a few days you can instantly know if you are matching your budget or if you need to re-estimate your budget

The more granularity the easier is to control your project and costs, because you focus on individual small work packages

This approach helps to verify whether the expected budget matches the reality and what additional expenses may arise