



Costs and Benefits/The Bottom Line

Common sense and checking with the right people are the two keys to reasonable estimating of costs and benefits. The following outline can help guide a project team quickly and accurately to **the bottom line**.

1. **First, list the recommendations.** These are the specific changes to be made to the present procedure to produce the proposed procedure.
2. **List the recommendations** on the seven cost and benefit sheets. Do this ahead of time so that the group can get quickly into the analysis.
3. **Analyze the first recommendation on the list** with all seven work sheets. This discussion goes very quickly. When a recommendation does not affect a work sheet it will be obvious. Move on after assuring yourself that it is unrelated. This is an exercise in applying common sense, not filling out forms.
4. **Record costs and benefits.** Complete those work sheets that apply.
 - a. If a work sheet requires information that is not available, make sure that **someone agrees to get it**. These assignments involve phone calls or visits to accounting, purchasing, vendors, engineering, finance, etc. (Sometimes phone calls can be completed during the meeting.)
 - b. Do not calculate to a **false level of precision**. (For instance, if a calculation is based on an estimate of yearly sales and we estimate this, plus or minus 20%, our estimates of costs and benefits for that calculation can be no more accurate than plus or minus 20%.)
 - c. Work with your figures until you are sure of them and then **present them smartly**. (It is difficult for people to separate their impression of the appearance of information from the credibility they give to it. Unfortunately, honest facts, scribbled, have trouble competing with classy-appearing but phoney sales pitches.)
4. The following practices will **keep you honest** with your data.
 - a. **Do not guess at how long something takes.** Use measurements. Measure with your wrist watch the time it takes you or someone else to do the task. If you can not actually do the task you might pantomime it. But, use measurements, do not guess.
 - b. **Do not guess at how often something occurs.** Find dependable records or make measurements. Review reports of sales, production, traffic, purchasing, etc. Take samples from stored records. But, use measurements, do not guess.
 - c. **Do not guess at how much something costs.** Phone or visit and find out. Go to the people who are responsible for that sort of thing.
5. After completing the work sheets, review the first recommendation against the **General Cost and Benefit Check List**. An item on this list may call attention to outstanding benefits.
6. After completing the first recommendation repeat this process for the rest.
7. **Don't cut corners.** This whole process can be accomplished thoroughly for many projects in an hour or two but, If you short cut it, you may begin to doubt your own efforts and lose confidence in your conclusions. Or, worse yet, you may be oblivious to something you have overlooked and it will surface when you present your conclusions, injecting serious doubt in the minds of the authorities who must approve your proposal.
8. **Keep using common sense and talking to knowledgeable people and you will wind up with a bottom line that you can present with confidence.**

"Work smarter, not harder"

