**Date:** November 7, 2003

**Topic:** Cost Benefit Analysis

**How did you accomplish this topic during your implementation?**
BIZPHYX is a consulting company that provides counsel and advice for TL 9000 implementation. For cost/benefit analysis or TL 9000 ROI-type analysis, they recommend that their customers use an activity based cost stream methodology. They would pick the processes that would be highly impacted by TL 9000 implementation and do an activity-based cost study, (e.g., map out the process and define all of its activities, determine how much time it takes to do various activities, determine the base cost of the person, systems, etc. performing the activities and then develop a baseline process cost). In this baseline study, the client determines the quality performance rate and amount of rework, and factors that into the baseline costs. After TL implementation and registration, they would perform the same activity-based cost study to determine the financial impact/benefit of TL.

For questions regarding cost of registration itself, the recommendation is to use the same activity-based cost method to determine the activities required and various cost categories, e.g.,

**What resources/tools/vendors were used to accomplish this task?**
Existing employees

**Was there any benchmarking activity?**
No

**What lead you to use this method?**
See above

**What worked and what didn't work?**
Using an activity based approach to costing makes it easier to understand and to develop more accurate cost estimates than trying to just estimate. Estimations of cost without considering what the activities are and how they are done result in cost estimates that are really off the mark.

**What recommendations do you have for others attempting to use your method?**
Look at the activities and build costs from them

**How did you measure the effectiveness of this method?**
Accuracy of the cost estimates against actual costs