

Cost/Benefit Analysis Worksheet

Source: <https://online.hbs.edu/blog/post/cost-benefit-analysis>
(Content modified for the Bright Futures Implementation Guide)

STEPS OF A COST-BENEFIT ANALYSIS

1. Establish a Framework for Your Analysis

For your analysis to be as accurate as possible, you must first establish the framework within which you're conducting it. What, exactly, this framework looks like will depend on the specifics of your organization.

Identify the goals and objectives you're trying to address with the proposal. What do you need to accomplish to consider the endeavor a success? This can help you identify and understand your costs and benefits and will be critical in interpreting the results of your analysis.

Similarly, decide what metric you'll be using to measure and compare the benefits and costs. To accurately compare the two, both your costs and benefits should be measured in the same "common currency." This doesn't need to be an actual currency, but it does frequently involve assigning a dollar amount to each potential cost and benefit.

2. Identify Your Costs and Benefits

Your next step is to sit down and compile two separate lists: one of all the projected costs, and the other of the expected benefits of the proposed project or action.

When tallying costs, you'll likely begin with direct costs, which include expenses directly related to a project, service, or decision. Labor costs, printing costs, materials costs, and inventory costs are all examples of direct costs.

But it's also important to go beyond the obvious. There are a few additional costs you must account for:

- Indirect costs: These are typically fixed expenses, such as utilities and rent, that contribute to the overhead of conducting business.
- Intangible costs: These are any current and future costs that are difficult to measure and quantify. Examples may include decreases in productivity levels while a new business process is rolled out, or reduced customer satisfaction after a change in customer service processes that leads to fewer repeat buys.
- Opportunity costs: This refers to lost benefits, or opportunities, that arise when a business pursues one product or strategy over another. For Bright Futures this could mean weighing the impact on another program or service as a result of resources (e.g, human, material, and financial resources) being reallocated to a new project.

Once those individual costs are identified, it's equally important to understand the possible benefits of the proposed decision or project. Some of those benefits include:

- Direct: increased impact on the achievement of your goals or potential long-term growth in volunteers.
- Indirect: increased awareness of Bright Futures in your community.
- Intangible: improved employee morale or students feeling safe and secure.

3. Assign a Dollar Amount or Value to Each Cost and Benefit

Once you've compiled exhaustive lists of all costs and benefits, you must establish the appropriate monetary units by assigning a dollar amount to each one. If you don't give all the costs and benefits a value, then it will be difficult to compare them accurately.

Direct costs and benefits will be the easiest to assign a dollar amount to. Indirect and intangible costs and benefits, on the other hand, can be challenging to quantify. That does not mean you shouldn't try.

4. Tally the Total Value of Benefits and Costs, and Compare

Once every cost and benefit have a dollar amount next to them, you can tally up each list and compare the two.

If total benefits outnumber total costs, then there is a business case for you to proceed with the project or decision. If total costs outnumber total benefits, then you may want to reconsider the proposal.

Beyond simply looking at how the total costs and benefits compare, you should also return to the framework established in Step 1. Does the analysis show you reaching the goals your community has identified as markers for success, or does it show you falling short?

However, if the cost outweighs the benefit, it doesn't mean your community shouldn't move forward. Ask yourself if there are alternatives to the proposal you haven't considered. Additionally, you may be able to identify cost reductions that will allow your community to reach a goal or goals more affordably while still being effective.

PROS AND CONS OF COST-BENEFIT ANALYSIS

There are many positive reasons a business or organization might choose to leverage cost-benefit analysis as a part of their decision-making process. There are also several potential disadvantages and limitations that should be considered before relying entirely on a cost-benefit analysis.

Advantages of Cost-Benefit Analysis

- **A Data-Driven Approach** – Cost-benefit analysis allows an individual or organization to evaluate a decision or potential project free of biases. As such, it offers an agnostic and evidence-based evaluation of your options, which can help your business become more data-driven and logical.
- **Makes Decisions Simpler** – Organizational decisions are often complex by nature. By reducing a decision to costs versus benefits, the cost-benefit analysis can make this dilemma less complex.
- **Uncovers Hidden Costs and Benefits** – Cost-benefit analysis forces you to outline every potential cost and benefit associated with a project, which can uncover less-than-obvious factors like indirect or intangible costs.

Limitations of Cost-Benefit Analysis

- **Difficult to Predict All Variables** – While cost-benefit analysis can help you outline the projected costs and benefits associated with an organizational decision, it's challenging to predict all the factors that may impact the outcome. Changes in costs (food for example), material costs, labor costs, and the economy are difficult to predict - especially in the long term.

- **Incorrect Data Can Skew Results** – If you’re relying on incomplete or inaccurate data to finish your cost-benefit analysis, the results of the analysis will follow suit.
- **Better Suited to Short- and Mid-Length Projects** – For projects, services, or decisions that involve longer timeframes, cost-benefit analysis has a greater potential of missing the mark for several reasons. For one, it’s typically more difficult to make accurate predictions the further into the future you go. It’s also possible that long-term forecasts won’t accurately account for variables such as inflation, which can impact the overall accuracy of the analysis.
- **Removes the Human Element** – While a desire to make a good financial decision drives most organizations, there are other non-monetary reasons behind why an organization might decide to pursue a project or make a decision. In our space, we must reconcile moral or “human” perspectives within the context of available resources of time, talent, and treasure.

In the end, cost-benefit analysis shouldn’t be the only tool or strategy you use in determining how to move your organization into the future. Another example of a good tool to use to help determine whether or not to take on a project or activity is the Action Priority Matrix, offered as a tool by [MindTools.com](https://www.mindtools.com).

This matrix offers an “at a glance” view of where a project might land in one of four quadrants.

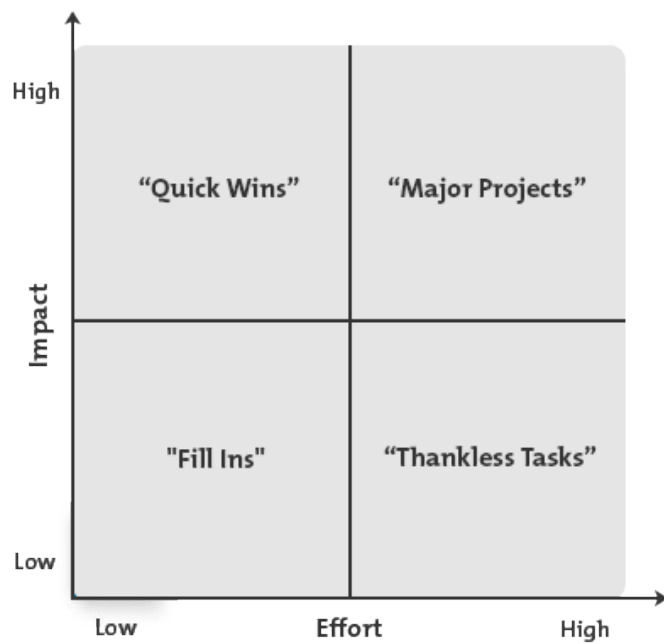
- **Quick Wins (High Impact, Low Effort)** – Quick wins are the most attractive projects, because they give you a good return for relatively little effort. Focus on these as much as you can.
- **Major Projects (High Impact, High Effort)** – Major projects give good returns, but they are time-consuming. This means that one major project can “crowd out” many quick wins.
- **Fill Ins (Low Impact, Low Effort)** – Don’t worry too much about doing these activities – if you have spare time, do them, but drop them or delegate them if something better comes along.
- **Thankless Tasks (Low Impact, High Effort)** – Try to avoid these activities. Not only do they give little return, but they also soak up time that you should be using on quick wins.

Source: <https://www.mindtools.com/agst6d0/the-action-priority-matrix>

Action Priority Matrix Worksheet

- For information about using the Action Priority Matrix, visit www.mindtools.com/actionpriority.

Activity	Impact (0-10) 0 = No Impact 10 = Maximum Impact	Effort (0-10) 0 = No Effort 10 = Maximum Effort



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