***Team meetings: Looking at cost/benefit***

Looking at the cost & benefit of everything we do as a team helps the team focus on their financial effectiveness, as well as achieving their goals and targets.

Cost/benefit analysis involves looking at everything we do, and evaluating its benefit in relation to the cost of doing it. We can plot the results as follows:

Q1 **☺**

Q3 **☹**

Q2 **??**

Q4 **??**

Benefit

Cost

We end up with all our tasks in one of four quadrants.

Quadrant 1 contains the things we really want to do: they add a lot of value, and are cheap!

Quadrant 3 is the first things we will stop doing if money is tight. They don’t add much benefit, and are expensive.

Quadrant 2 is difficult. They are high benefit, but expensive. They’re great if we can afford them, but – however much we want them – what if we can’t afford them…? Not an easy decision! Can we reduce the cost of carrying out these tasks?

Quadrant 4 is also difficult. These things are cheap, so we can do a lot of them, but they don’t add much value. Do we do lots of cheap things in this quadrant, or the one really expensive thing in quadrant 2? Can we increase the benefit we get from these tasks?

**Listing the tasks we carry out**

In a team meeting, you could include every task the team carries out. You’d probably want to do some preparation yourself to list them all, and ask your team to do some preparation before the meeting. Alternatively you could take your 10 or so major tasks, and just work on those.

**Calculating cost**

You could calculate the cost of every task by allocating your entire budget over all the tasks your team carries out. This would be a formidable task! For many teams, their biggest cost is the time of their staff, so you could use team time as a substitute for cost.

For some teams another single cost line can be important. In many training departments, a lot of training consultants are used, at a significant daily rate. That makes it easy to allocate costs to some courses!

Machine time or material costs could be another substitute for cost. The aim is to get a rough feel of the resources needed for the different tasks carried out. Your team may not know the cost of every task they carry out, but they’ll have a good idea where they spend most of their time. So will you!

**Calculating benefit**

This is more of a “gut feel” reaction. It can be challenging, because it’s not just about how useful we feel it is, it’s how much benefit the customer gains; how much benefit other teams gain; the immediate benefit and the longer term benefit…

**Assessing the quadrants**

The challenge for the team is whether we can:

* reduce the cost of the quadrant 2 activities, without losing their benefit
* get more benefit out of quadrant 4 activities, without increasing their cost

The value for the team leader and budgetholder is also in identifying the quadrant 3 activities. These are high cost (so they consume a lot of our budget), and low benefit. Why are we doing these activities? What would happen if we stopped doing them (apart from saving a lot of money)? Do we need external permission to stop doing them, and how do we get that permission?

**Gut feel or reliable guide?**

This exercise can be done as a “gut feel” exercise to estimate both the cost and the benefit of your team’s activities. It’s useful done that way, as it helps give you and your team a better sense of the cost and the value of everything they do. It will help focus your team’s thinking on cost and value, rather than just on “doing things” and completing tasks.

If you’re going to make bigger decisions as a result of the exercise (like stopping doing some quadrant 3 tasks) you might want to harden up some of the gut feel elements. Finance will help you calculate a better cost of these activities – especially once they realise you’re trying to save money and increase profits!

How will you harden up your gut feel about the benefit of the quadrant 3 tasks you’ve identified?