

Simple Benefit/Cost Analysis Tool

This tool is intended to offer a simple method for evaluating possible improvement options. At this point you should have identified an environmental aspect to work on, and have established some possible improvement options. Follow the instruction below for filling in the Benefit/Cost Analysis. An example is also provided.

Instructions:

1. List possible improvement options in the first column.
2. identify all foreseeable costs and benefits associated with each action. Aspects of costs and benefits can include, but are not limited to the following:
 - Monetary
 - investment requirements, operating costs, revenue streams, accurate cost allocation
 - Personnel
 - training, knowledge, morale, employee retention, health and safety, absenteeism
 - Production
 - re-tooling, efficiency, inventory, equipment, input costs
 - Environmental
 - toxic emissions, waste management costs, legal liability, fines
 - Customers and investors
 - new markets, information needs, corporate image, marketplace differentiation, pricing, competing products
 - Product
 - durability, energy requirements, serviceability, user operating costs
3. After listing the costs and benefits for an action, assign a numerical ranking of 3, 2, or 1 (high, medium, or low) to describe that action's total benefits and costs.
4. Lastly, calculate the Benefit-Cost ratio using the formula on the attached worksheet. The result will be either:
 - greater than 1: benefits are greater than costs; action should be given a high priority;
 - equal to 1: benefits are equal to costs; action should be given a lower priority; or,
 - less than 1: costs are greater than benefits; actions should only be implemented on compelling, non-financial grounds.
5. Rank the improvement options in order, with the improvement option with the highest result being 1st, the next highest 2nd, etc.



Next Steps

Once your ranking is complete, you may wish to examine the higher-ranking options in more detail. Implementation of the improvement options with the highest benefit/cost ratios is the next step toward improving your company's environmental performance.

Benefit/Cost Analysis

Environmental Aspect: _____

Potential Action	Benefits	Benefits High=3 Med=2 Low=1	Costs	Costs High=3 Med=2 Low=1	Ratio Benefits / Costs	Rank

Benefit/Cost Analysis

Environmental Aspect: Energy Use

Potential Action	Benefits	Benefits High=3 Med=2 Low=1	Costs	Costs High=3 Med=2 Low=1	Ratio Benefits / Costs	Rank
Establish incentive program for energy efficiency	<ul style="list-style-type: none"> • actively involves all employees in corporate goals • energy savings from suggestions 	2	<ul style="list-style-type: none"> • cost of rewards (minimal if based on a percentage of energy savings) • administrative cost 	1	2	1
Reallocate energy costs to the departments in which consumption occurs	<ul style="list-style-type: none"> • better cost accounting • better focus for energy efficiency efforts 	3	<ul style="list-style-type: none"> • audit to properly allocated costs • administrative costs 	2	1.5	2
Establish vehicle maintenance and driver training program to maximize fuel efficiency of fleet.	<ul style="list-style-type: none"> • decreased fuel costs 	1	<ul style="list-style-type: none"> • administrative costs • parts costs • labor costs • equipment costs 	3	.33	3