

# Exhibit 1

## Estimating Process Costs

The right tool can improve the accuracy of estimates of a process's costs — and a project's potential cost savings. The following worksheets calculate the amount a company spends developing its annual plan, but they can be modified to fit virtually any process. Results of such an analysis can be compared with benchmarks to help shape the goals of process improvement initiatives.

### COST OF DEVELOPING THE ANNUAL PLAN

#### PART 1: PRIMARY INPUTS

# 1	Number of employees	10,000	Input
# 2	Percentage of employees participating in the planning process	25%	Input
# 3	Number of planning participants	2,500	Calculation (#1 x #2)
<b>Percentage of participants who are:</b>			
# 4	Almost uninvolved (dedicated 1 day or less)	10%	Input
# 5	Barely involved (dedicated 2 to 3 days)	10%	Input
# 6	Somewhat involved (dedicated 4 to 5 days)	60%	Input
# 7	Moderately involved (dedicated 6 to 10 days)	20%	Input
# 8	Heavily involved (dedicated 11 to 20 days)	0%	Input
# 9	Most involved (dedicated over 20 days)	0%	Input
# 10	Total check (sum to 100%)	100%	Calculation (sum #4 through #9)
# 11	Input days over 20 for employees in #9	N/A	Input

#### PART 2: PERSON-DAYS COST CALCULATION

# 12	Number of planning participants (from #3)	2,500	
		<b>Percentage</b>	<b>Factor</b>
		<b>Number of Person-Days</b>	
	Almost uninvolved (taken from #4)	.10%	.1
	Barely involved (taken from #5)	.10%	.2
	Somewhat involved (taken from #6)	.60%	.4
	Moderately involved (taken from #7)	.20%	.6
	Heavily involved (taken from #8)	.0%	11
	Most involved (taken from #9)	.0%	(from #11)
# 13	Total person-days required by the planning process	9,750	Calculation (sum)
# 14	Cost of a person-day	\$500	Input (standard rate is \$500/day)
# 15	Total cost	\$4,875,000	Calculation (#13 x #14)

#### PART 3: COST PER PLANNING COMPONENT

# 16	Cost of producing the annual plan (from #15)	\$4,875,000	
		<b>Percentage of All Time Spent Developing The Annual Plan</b>	<b>Cost</b>
# 17	Strategic direction	10%	\$487,500
# 18	Departmental budgets	20%	\$975,000
# 19	Sales & revenue projections	10%	\$487,500
# 20	Marketing & promotional spending	15%	\$731,250
# 21	Raw materials usage & costs	20%	\$975,000
# 22	Capital spending	20%	\$975,000
# 23	Other expense projections (e.g., R&D, cost of funds)	5%	\$243,750
# 24	All other/miscellaneous	0%	\$0
	Total check (sum to 100%)	100%	\$4,875,000

SOURCE: BUTTONWOODLLP.COM