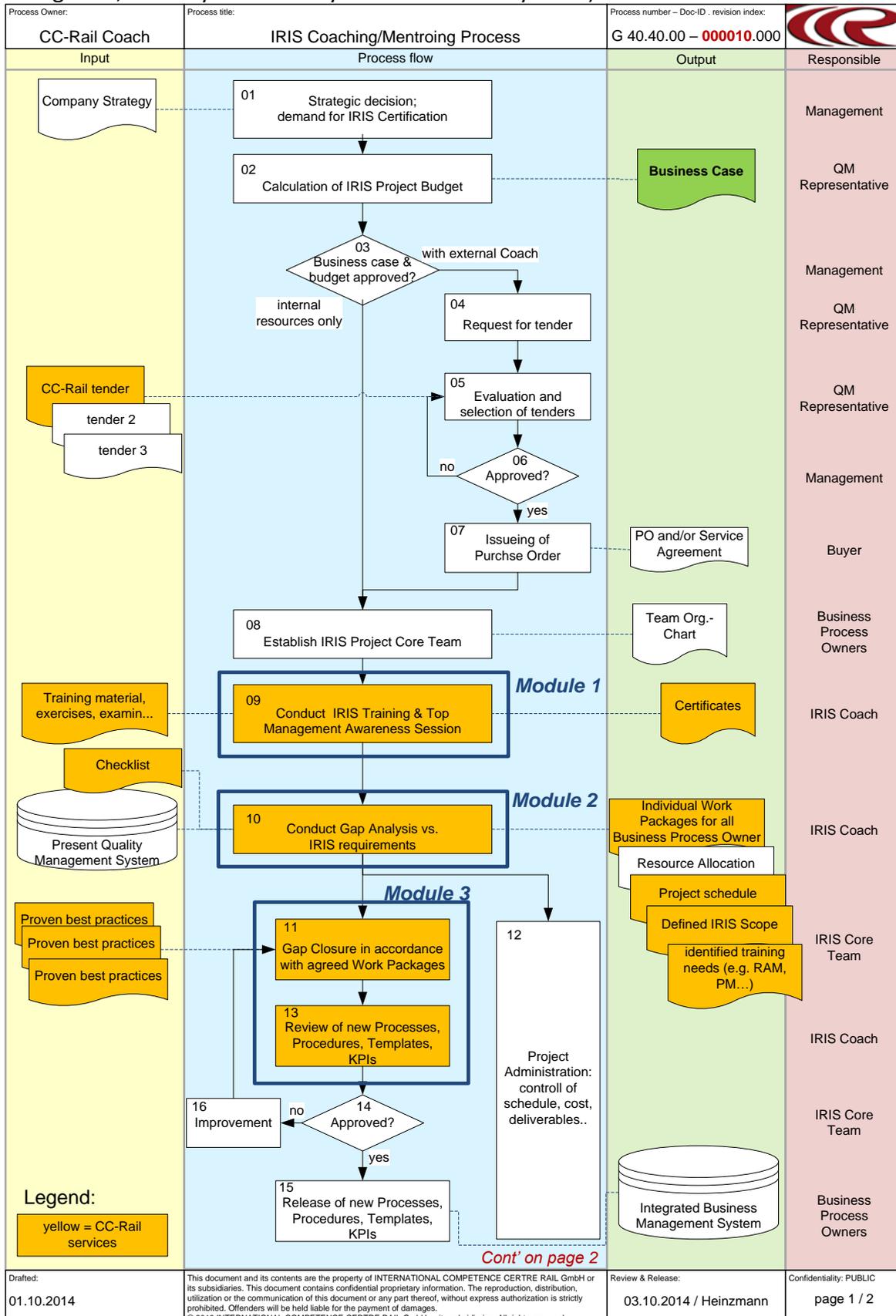


BUSINESS CASE: IRIS IMPLEMENTATION

Serving future customers, we graphically present here our approach to IRIS Consulting. Particular attention deserves the business case on page 1 of the process flow. (Page 2 is missing here, but may be sent on your demand at any time.)



This article is intended to support especially companies preparing for an IRIS certification.

Some companies lump all consultants together. Before, I was even to those advisors initially opposed in principle. For some time I have recognized that it can be very useful to take a consultant on board, when he transfers substantially own knowledge to a company that they actually miss. This could companies not only save time. Above all, it has a positive effect on the overall cost for IRIS implementation. That sounds strange, but it is true!

The following three business cases provide evidence that principally it's worthwhile to cogitate about external help.

Of course, the data in the table below must be adapted to each company's circumstances. Usually, each company will come to other totals. The present example is only intended to explain the way of calculation.

Calculation of total Cost for IRIS preparation	Business Case 1		Business Case 2		Business Case 3	
	without CC-Rail		with minimum support from CC-Rail (incl. training, gap analysis, pre-audit, preparation for readiness review and cert-audit, but <u>without module 3</u> : support for gap closure)		with maximum support from CC-Rail (full coaching package; all 6 modules)	
1. internal cost	Project Manager	IRIS Core Team	Project Manager	IRIS Core Team	Project Manager	IRIS Core Team
1 annual hours / employee:	1600	1600	1600	1600	1600	1600
2 duration (number of months):	18	18	18	18	9	9
3 number of employees in Core Team:	1	8	1	8	1	8
4 their time share / workload:	80%	15%	80%	10%	80%	5%
5 internal hours:	1920	2880	1920	1920	960	480
6 hourly rate (EUR):	65	65	65	65	65	65
7 internal Cost (EUR):	124.800	187.200	124.800	124.800	62.400	31.200
8 total internal cost (EUR):	312.000		249.600		93.600	
2. external cost				CC-Rail fee		CC-Rail fee
9 number of man-days:				30		100
10 daily rate (EUR):				1.500		1.500
11 Travel & Accomodation Cost:				3.000		10.000
12 Consultant fee:				48.000		160.000
13 Total Cost (EUR):	312.000		297.600		253.600	
14 savings (EUR):	0		14.400		58.400	

First, I assume that the annual number of hours of an employee is on average 1600 hours and the hourly rate will be charged internally with 65 EUR. You should involve all essential functions in the IRIS preparations where IRIS requirements apply. So to the core team belong representatives from the fields of development, production planning, purchasing, human resources, finance, project management, IT, production, quality control, sales, customer service and of course quality. These are at least eight delegates plus an IRIS project manager. On the project manager falls the greatest burden with 80% of his time. In accordance with the UNIFE statistics the average lead time for such a project is 18 -19 months.

Business Case 1 provides that no consultation takes place. Hence all activities, including all errors & confusion, have to be resolved internally. Therefore, the core team members must spend in average at least 15% of their valuable work time. Let's not forget that the development of management system do not necessarily belong to their core competencies. Actually, most of them were hired for totally different tasks. The resulting total cost amounting to 312 thousand EUR is realistic for a company with 250 full time employees. Time records have already proven these facts in practice.

Nevertheless in the second case you like to buy missing skills. But sparingly! The consulting services include the IRIS training, a gap analysis, the pre-audit, as well as the preparations for the Readiness Review and the certification audit. So you can be sure that you'll get a clear work direction and you will reach the target without larger detours. The company believes that they could close the gaps with own resources. But it costs then still plenty of time and internal resources (10%).

It's hard to believe, but in case 3, with the full package of our consulting services and therefore the highest external costs, you can save the most. The reason for this is simple: to the clear structured approach now just adds efficiency. Our projects usually last only 9 months. It's fact that you don't have to develop laboriously many things. In this case it can be assumed to get demonstrated proven best practices, so that you will find your own solutions extremely efficiently seamlessly fitting to into your current system. This saves time and relieves the employees (only 5% of work load). In addition you will get world-class standards to the company.

Depending on the maturity level of a company, the optimum is somewhere in the middle between cases 2 and 3. This means that one requests only then support, where in fact outside services are needed. As an example I like to mention the project management. Smaller companies have major problems in this field. We have already proven several times that with us you can develop a well working project management system in just 10 coaching days that is not only meeting all the requirements of the IRIS chapter 7.7., but it's also tailor-made for your needs. Alone this is not feasible to create in such a short time. Otherwise you would have been done long ago. References might be provided. Please ask us.

For me, most exciting is the question: **How and when are our investments paying off?** The Return of Investment (ROI) calculation is not complicated if you understand that the whole effort is only worthwhile if 1) you do it right, and 2) you have the discipline to execute your improved processes with rigor. So the costs of poor quality (CoPQ) should necessarily decrease. And so you can calculate the ROI:

ROI calculation		minimum		maximum
	annual Sales (EUR)	75.000.000		75.000.000
	Cost of Poor Quality (CoPQ)	5%	-->	10%
annual margin slippages (losses in EUR)		3.750.000	-->	7.500.000
	annual reduction of CoPQ	10%		10%
	in EUR	375.000	-->	750.000
	your investment was (in EUR):	253.600		
		ROI < 1 year after IRIS Certification!		

In the calculation example again, we calculate for a mid-sized company with 250 employees and an annual turnover of EUR 75 million. Carefully estimated are the CoPQ between 5-10% of sales depending on the company culture. CoPQ are not limited to rework, complaints or scrap cost. It includes also effort due to self-caused changes as well as penalties, for example, because not reaching RAM / LCC commitments or because of late delivery, and many other product- or process-related losses. Thanks to a much better performing Management System, where processes are clearly defined, where everyone understands his role and responsibilities and where the key process performance is measured, one can easily target a CoPQ reduction of only 10% compared to the previous year. So you can achieve in just one year savings that are higher than the total investments of your IRIS project. Following the PDCA cycle these savings will recur each subsequent year. Plus better customer satisfaction + better productivity due to less rework hours!

Why do you wait? Please challenge us!