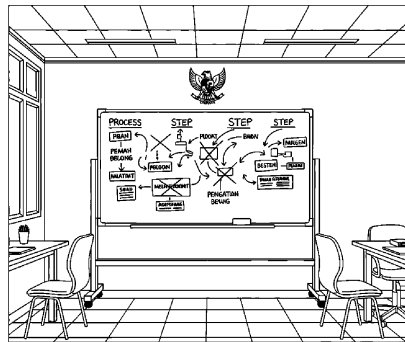


HIGH-VOLUME

WORKSHEET 3 OF 9

# Monthly Process-Cost Roll-Up

*Estimate the full cost of running each critical process per month -- staff time, rework, owner interventions, and error correction. Numbers make redesign decisions easier.*



Complementary worksheet for  
*Business Process Reengineering*  
by Ibrahim Anwar

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## What This Is For

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Redesign conversations stall because the cost of not redesigning is invisible. Staff time spent on a cumbersome process never appears on a line in the management report. Owner interventions -- decisions that should be delegated but are not -- cost real money per hour and accumulate into the most expensive invisible line in the business. This roll-up makes those costs countable and comparable.

The practical trigger for this worksheet is the moment you are deciding whether to redesign a process and the conversation defaults to 'it's how we've always done it.' One month of roll-up data converts that conversation from opinion to arithmetic: does the monthly cost of running the process as-is exceed the one-time cost of redesigning it? In most cases the payback period is under three months. But nobody in the room can see that until the number is on paper.

## Benefits

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What you get when you actually run this worksheet on a real situation:

- Makes the ROI case for process redesign concrete: monthly running cost versus one-time redesign cost, expressed in dollars.
- Reveals the owner-intervention cost, which is usually the largest single cost and the one most consistently excluded from any efficiency calculation.
- Separates the cost of running a process correctly from the cost of running it incorrectly -- rework is waste, not process cost.
- Produces the baseline that makes post-redesign improvement measurable: same table, same month, three months after redesign.
- Identifies which process has the highest monthly cost, focusing redesign effort on the highest-return candidate rather than the most visible one.

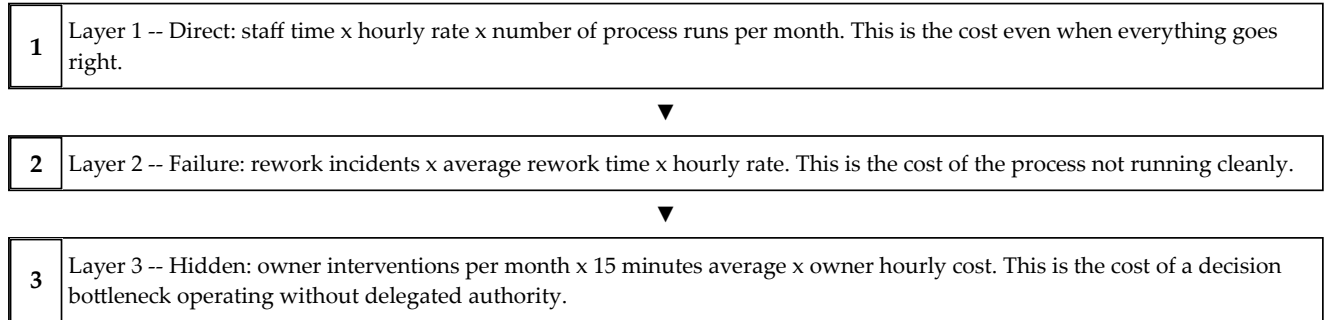
# Framework To Use

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## — Full Process Cost Stack

*Three cost layers per process: direct execution cost (staff time on the steps), failure cost (rework and error correction), and hidden cost (owner time pulled into decisions the process should handle).*

### THE THREE LAYERS OF PROCESS COST



## How To Use

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Follow these steps in order. Each one builds on the previous.

- 1 List each critical process in column one. Use the three to five processes that generate the most owner questions, rework, or customer complaints.
- 2 For 'Average staff-hours/month': count the number of times the process runs per month, multiply by the average time per full run in hours. Use the Weekly Step-Time Tracker data if available.
- 3 For 'Staff cost': multiply staff-hours by the fully-loaded hourly rate (base salary plus payroll taxes and overhead, typically 1.25-1.35x base).
- 4 For 'Rework incidents/month': count the number of times any output from this process had to be corrected, redone, or handled twice in the past month. Use the Handoff-Error Log if running.
- 5 For 'Owner interventions/month': count the number of times the owner or manager was pulled into a decision, question, or correction that the process should have handled without escalation. Use a tally for one week and multiply by 4.3.
- 6 Calculate total monthly cost per row by summing the three layers.
- 7 Compare total monthly cost against the estimated one-time cost of a redesign session -- typically two to four working days of management time. Calculate months to payback.
- 8 The process with the highest total monthly cost is the first redesign candidate, regardless of which process feels most strategic.

## Example Use

*A 25-person wholesale business uses the roll-up before a quarterly planning session to decide which of four processes to redesign first.*

The owner lists four processes: goods receipt, order processing, customer complaint handling, and monthly stock reconciliation.

Goods receipt: 240 staff-hours/month  $\times$  \$8/hr = \$1,920. Rework: 12 incidents  $\times$  1.5 hours  $\times$  \$8 = \$144. Owner interventions: 8/month  $\times$  15 min  $\times$  \$18/hr owner rate = \$36. Total: \$2,100.

Order processing: 180 staff-hours/month  $\times$  \$8 = \$1,440. Rework: 6 incidents  $\times$  2 hours  $\times$  \$8 = \$96. Owner interventions: 22/month  $\times$  15 min  $\times$  \$18 = \$99. Total: \$1,635.

Customer complaint handling: 40 staff-hours/month  $\times$  \$8 = \$320. Rework: 3 incidents  $\times$  1 hour  $\times$  \$8 = \$24. Owner interventions: 18/month  $\times$  15 min  $\times$  \$18 = \$81. Total: \$425.

Monthly stock reconciliation: 60 staff-hours/month  $\times$  \$8 = \$480. Rework: 4 incidents  $\times$  3 hours  $\times$  \$8 = \$96. Owner interventions: 5/month  $\times$  15 min  $\times$  \$18 = \$22.50. Total: \$598.50.

Goods receipt is the highest-cost process at \$2,100/month. Estimated redesign cost: three working days of management time at \$18/hr  $\times$  8 hours = \$432. Payback: 6 days. The redesign session is scheduled for the following week.



## Reflection Prompts

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*After filling in the worksheet on the previous page, work through these.*

1. For the highest-total-cost row: calculate payback in months. Redesign cost estimate = management days x \$[owner hourly rate] x 8. Divide the monthly total by that figure. If payback is under 3 months, the redesign decision is closed.
- 

2. If the 'Owner interventions' column is the largest single cost driver for any process: that process has a decision bottleneck. Adding staff does not reduce this cost. Only redesigning where delegation authority sits will.
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# Tips and Traps

## TIPS

- Use fully-loaded hourly rates, not base wages. The cost of an employee is 1.25-1.35x their base salary once taxes, benefits, and overhead are included. Under-loaded rates produce payback calculations that understate the case for redesign.
- Run the roll-up for the same month as the Handoff-Error Log. The two sheets together produce a complete picture: the log shows where failures happen, the roll-up shows what they cost.
- Owner interventions are consistently under-counted. Use a physical tally for one week -- a mark on a card for every process question that reached you -- then multiply by 4.3. Do not estimate from memory.
- The total monthly cost is not the cost of the process; it is the cost of running it as it currently exists. A well-designed process for the same tasks would have a lower total. That difference is the redesign dividend.

## TRAPS

- Excluding owner time from the calculation because the owner 'would be working anyway.' Owner time spent answering process questions is time not spent on decisions only the owner can make. It has an opportunity cost regardless of salary structure.
- Counting only the month with the highest volume. The roll-up should reflect a typical month, because it will be used to justify redesign during a typical period, not a peak.
- Treating a high total on a process as proof that the process is badly run. Some processes are simply large and appropriately expensive. The ratio of rework cost to direct cost is the inefficiency signal -- not the absolute total.
- Running the roll-up and then not using it. The sheet exists to close the redesign-decision conversation with a number. Produce the number and present it in the next planning session.

# Appendixes

## Appendix A -- Fully-Loaded Rate Calculator

To convert a monthly salary to a fully-loaded hourly rate:

Step 1: Add statutory contributions to monthly base.

In Indonesia: BPJS Kesehatan (4%), BPJS TK (5.7%),  
THR (1/12 of annual salary per month accrued).  
Approximate multiplier: 1.20-1.25x base.

Step 2: Add overhead allocation.

Office space, equipment, admin support per head:  
typically 0.05-0.10x base in a lean operation.  
Combined multiplier: approximately 1.25-1.35x base.

Step 3: Divide by working hours per month.

Standard: 22 working days x 8 hours = 176 hours/month.

Formula:

Fully-loaded hourly rate = (monthly base x 1.30) / 176

Example: Staff on \$400/month base:

$(\$400 \times 1.30) / 176 = \$520 / 176 = \$2.95/\text{hour}$

For the owner: use the opportunity cost of the owner's time

-- the rate at which the owner could generate revenue or

make decisions that no one else can make. A rough proxy:

annual target income / 2,000 working hours.

## Appendix B -- Payback Period Quick Reference

Redesign cost estimate (owner + key staff time):

Half-day session (4 hrs): 1 owner + 2 staff x \$[rate] x 4

Full-day session (8 hrs): 1 owner + 2 staff x \$[rate] x 8

Two-day redesign: 2 x full-day cost

Payback period:

Monthly process cost / redesign cost = months to payback

Decision thresholds (suggested):

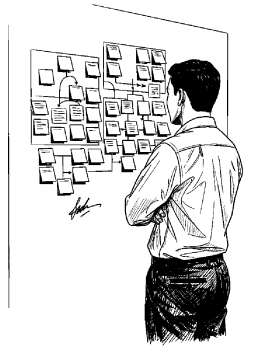
< 1 month payback : redesign immediately

1-3 months : redesign in next quarter

3-6 months : schedule and plan

> 6 months : incremental improvement may suffice;

recalculate if rework costs increase



WHERE THIS WORKSHEET COMES FROM

## **Business Process Reengineering**

*A Process That Has Run a Long Time Is Not Necessarily a Correct Process*

by Ibrahim Anwar

This worksheet is one of nine in the *Business Process Reengineering* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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Read the source book on Google Play Books:

<https://play.google.com/store/books/details?id=VYvXEQAQBAJ>

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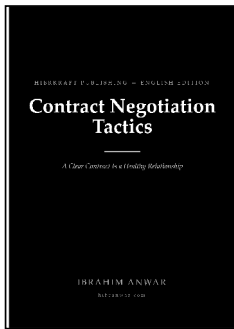
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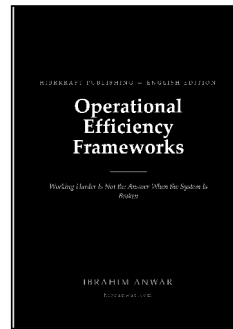
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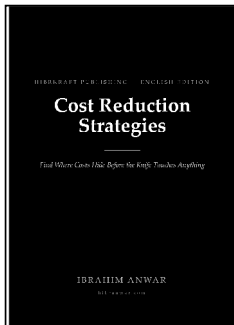
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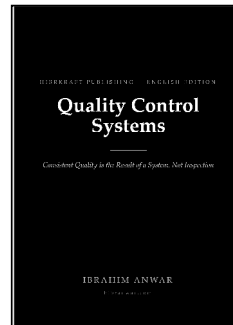
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