

IFAN – Guide 1

Method for determining the advantages of (company) standardization projects

Internationale Föderation der Ausschüsse Normenpraxis
International Federation for the Application of Standards
Fédération internationale des associations pour la pratique des normes



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National foreword

This revised version of IFAN-Guide 1 supersedes PD 6495 : 1983, which is withdrawn.

The British Standards Society through its Management Committee OC/34 and its Economics Panel OC/34/4 have been responsible for the UK input to IFAN WG 'a' which prepared the original version of IFAN-Guide 1 and its two revisions.

Comments received on the previous edition were taken into account and the new version has been prepared to make the guide easier to use and hence to enhance its value to industry.

The British Standards Society will be pleased to receive comments on the revised version and especially to receive details of the application of the guide to specific cases and of any difficulties encountered in its use.

A handwritten signature in black ink, reading 'R. V. Wright', with a long horizontal flourish extending to the right.

R V WRIGHT
Chairman, British Standards Society

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Background

The International Federation for the Application of Standards (IFAN) is an association representative of the national organizations concerned with the application of standards and was founded in 1974. The present members are:

- Arbeitsgemeinschaft Normenpraxis im ÖN (AGN), Austria;
- Comité Belge de la Normalisation d'Entreprise, Belgium;
- Egyptian National Committee for the Application of Standards Specifications, Egypt;
- Suomen Laatuhydistys (SLY), Finland;
- Association française pour la connaissance et l'application des normes (ACANOR), France;
- Ausschuss Normenpraxis (ANP) im DIN e.V., Germany;
- Institute of Standards Engineers (SEI), India;
- Normalisatiekringen Nederland (NKN), Netherlands;
- Standardiseringsforeningen, Norway;
- Associação Portuguesa para a Qualidade (APQ), Portugal
- Standardiseringstekniska Föreningen (STANTEK), Sweden;
- Schweizerischer Ausschuss Normenpraxis (NOP), Switzerland;
- National Committee for the Application of Standards, Turkey;
- British Standards Society (BSS), United Kingdom;
- Standards Engineering Society (SES), USA.

IFAN was established to provide an international forum for the exchange of ideas on and experiences of standardization and it has close links with the international standardizing bodies. It operates through its Members' Assembly and practical work on topics of interest to standards practitioners is carried out through working groups established to study particular subjects. The results of the studies and other subjects of interest to those concerned with standards are presented to an international conference on standardization organized by IFAN and held every three years.

The Federation is managed by a board consisting of the President, two Vice-Presidents and the Secretary. Further information about IFAN can be obtained from the Secretary.¹⁾

IFAN Working Group 'a' studied the problem of the assessment of the effects of standardization and the results of their efforts were presented at the Second International Conference 'Normenpraxis', organized by IFAN and held in Berlin in May 1977. The IFAN manual *The method of assessing the economic*

advantages of standardization for a company, under the authorship of Mr M Imberty, ACANOR, was presented during the conference and published as part of the conference proceedings. Working Group 'a' continued to study the problem, and efforts to prepare case studies for a presentation on the subject to the third IFAN conference in London in 1980 led to the realization of the need for a guide to the use of the IFAN method that could be readily used by standards engineers in the companies; this guide is the result of their further studies. The guide is published in English, French and German, the three official languages of IFAN, and is available from the corresponding member bodies.

The method detailed in this guide is applicable, for the assessment of the effects of standardization, to most of the cases arising within the standardization department of a company. However, it is recognized that there may be occasions when the method is not viable for one reason or another, eg. the financial data required may not be available, and in such instances it may be necessary to make a qualitative rather than a quantitative assessment. Should any difficulty be experienced in the use of the guide, the reader is invited to communicate with IFAN or with one of its member associations.

The International Organization for Standardization (ISO) has been making a study of the effects of standardization at the international and national level. This study, carried out by the Swedish member body of ISO (Standardiseringskommissionen i Sverige) has led to the preparation of an ISO booklet *The benefits of standardization*. A resume of the contents of the booklet is given in annex E and the booklet is recommended to all those interested in the subject of the assessment of the effects of standardization. IFAN-Guide 1 and the ISO booklet are complementary to each other, covering as they do different aspects of the same subject.

¹⁾ Mr J Blanc, IFAN Secretariat, International Organization for Standardization (ISO), 1, rue de Varembe, POB 56, CH-1211 Geneva 20.

Guide

1 Scope

1.1 This guide describes a method for deciding whether a company standardization project is worthwhile, by assessing its effects on all aspects of the company's operations and, where practicable, expressing them in economic terms. A standardization project is here defined as a study which is to be carried out involving the use of existing standards, procedures and specifications and/or the creation of new ones. The method requires a clear definition of what is to be achieved, so that it can be shown which parts of the company will be affected and how. Such an analysis can provide a preliminary estimate of cost and revenues and thus enable an initial assessment of the project.

1.2 In many cases this analysis will indicate whether or not the project is worthwhile. Further, the method provides a check list so that all the ways in which the services of the company may be affected can at least be identified even if they cannot be quantified.

1.3 In the final stage the effects can be expressed in monetary terms for those projects where sufficient information is available, and where such a detailed assessment is considered necessary before proceeding with the project. Alternatively this final stage can be used during and after the project to provide a comprehensive analysis of the costs, savings and benefits for use in the future either in support of further proposed projects or in deciding how to carry them out.

2 Principles and objectives of the method

2.1 The method consists of a set of procedures for assessing and calculating the effects of the project together with appropriate formulae for expressing the results, which can be applied step by step in a logical fashion.

2.2 The method can be used before, during and after the project has been put in hand, for:

- a) forecasting the likely outcome of the project;
- b) establishing the return from the project;
- c) choosing from several projects the most beneficial one;
- d) justifying the expenditure, particularly for major projects;
- e) setting priorities for projects when resources are limited;
- f) recording the results (also for future use).

2.3 The method is based on a comparison of the situation in the company before and after implementation of the project. By putting figures to the possible return and by taking account of the costs to be incurred, an overall picture may be obtained in the form of numerical values or ratios so that a judgement can be made on the worth of the project.

2.4 This procedure is similar to those which are used for calculating the advantages and disadvantages of an investment, and does not depend on the type of standardization project. The data to be used should be compiled within the company if comparisons with other projects within the company are to be valid.

2.5 The work involved in collecting the data and in making the calculations will depend on the degree of accuracy required in the result.

2.6 The duration of the project is the time during which the initial actions continue to be applicable and to produce returns. Each company will need to decide for itself on a case by case basis when the project ceases to produce quantifiable benefits.

3 General description of the method

3.1 The IFAN method of analysis and calculation is subdivided into the following four phases:

Phase 1: Definition of the subject of the project, the objectives, and the time during which the project will be in operation.

Phase 2: Qualitative assessment of the effects of the project on the subject itself and on the functioning of the company (i.e. on the operations, resources and administration of the company).

Phase 3: Quantitative determination and evaluation of the effects on the functioning of the company, and hence assessment of the annual savings and expenses involved in carrying out the project.

Phase 4: Expressing the results in the form of costs and savings taking into account the duration of the project.

3.2 The method can be simplified as follows:

- a) for those projects which recur in many companies and hence can be classified as particular types of project, the effects on the company are listed in annex A, so that phase 2 can be omitted;
- b) for those projects where the quantitative determination and evaluation of the effects on the functioning of the company are not possible or would require an excessive amount of work, the method of calculation may be simplified by working directly from the effects on the subject, column 2a of table 1 when filling in columns 3a to 3k;
- c) for those projects involving reduction in the number of different types of stocked items, annex B covers the factors to be taken into account when estimating the savings which could be achieved.

4 Application of the method

4.1 General

The results obtained from the four phases are entered in the appropriate spaces in the calculations table 1.

