

Pay-Off Matrix

What The Pay-Off Matrix is a specialized matrix diagram that enables a project team to assess the costs and benefits of several proposed solutions to determine which solution is best based on the cost/benefit ratio.

When The Pay-Off Matrix is used during the Analyze Phase of the DMAIC process for Lean Six Sigma projects or any time a group wants to analyze the cost/benefit ratio before final selection of a solution.

How 1. **Invite the right people:** In this technique it is important to include people that are intimately familiar with the process. Their hands-on knowledge is critical to the success of the project. You might also include one or two people that have no experience with the process. These people will help you uncover and test your hidden assumptions.

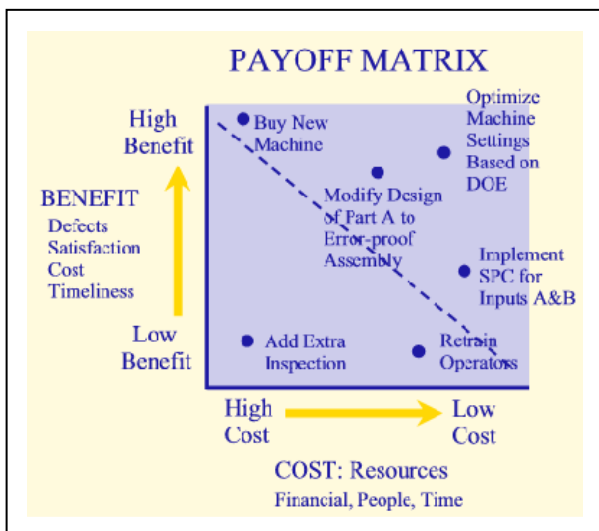
2. **Create the Matrix:** Use a sticky wall to create a matrix with Benefit (High, Low) on the Y axis (left side), and Cost (Low, High) on the X axis (bottom). Place the low from the two axis in the lower left corner as shown below.

3. **Identify the Solutions:** Follow any process to identify the potential solutions that will reduce, soften, or eliminate the root cause of an issue.

4. **Create Solution Cards:** Use large index cards or 1-half sheet paper to document the possible solutions. Estimate the cost required to implement the solution and a quantitative way to describe the level of benefit (High, Medium, Low) from implementing the solution. Try to avoid under-estimating the cost and over-estimating the benefits.

5. **Analyze:** Analyze and discuss the results. Order the solutions by their Benefit and Cost. Select the solution that has the highest benefit at the lowest cost. This is called a Gem. Those that have some benefits at a low cost are called Quick Hits. Avoid solutions that have a high cost and a low benefit.

6. **Examine:** Examine the desirable solutions for potential adverse effects or unintended consequences. It may pay to have another group look at these with a fresh eye.



Solution Title: & Explanation	
Cost to Implement	Level of Benefit