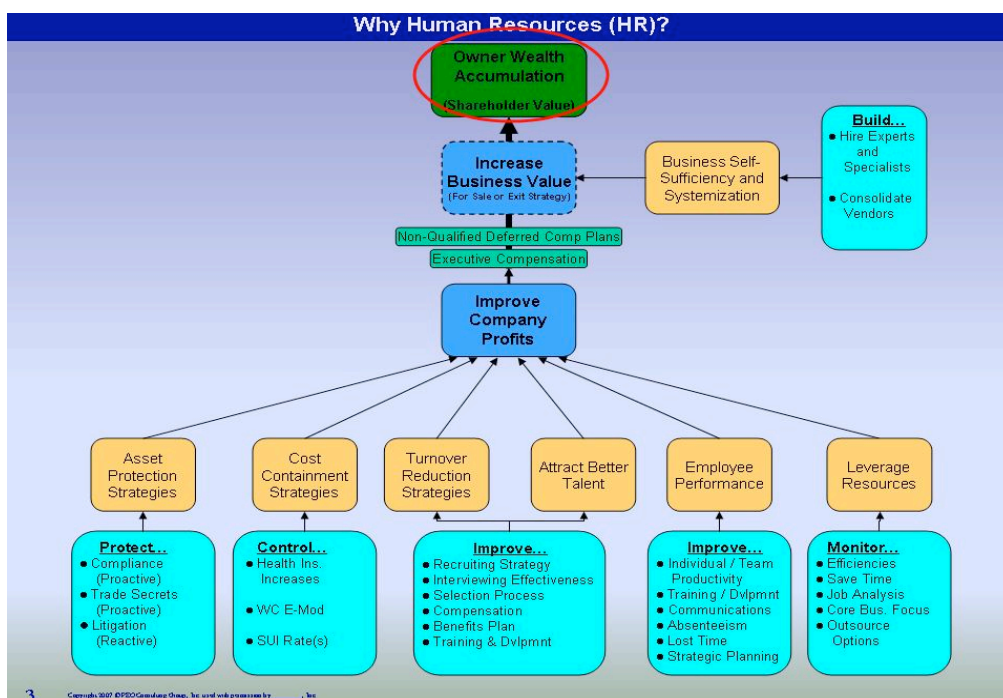


How Human Resources can improve Business Owner Wealth Accumulation and Shareholder value

This is the second in a seven part series which examines how human resources can improve Business Owner Wealth Accumulation and Shareholder value. In the last article I asked the question:

If a company could get verifiable human resources expertise, services and products for a reasonable investment, and the mission was to assist in going after some of the profits being left on the table, and proactively work to minimize the chances of the disaster happening would that a sound business decision?

Based on the following model this article will address the issue of employee turnover.



There can be no denying that turnover is expensive. How expensive? It is difficult to determine and it will vary by industry. There are a number of very good tools available to do this calculation. Some costs to consider include:

1. Pre-departure costs
 - a. Loss of productivity
 - b. Supervisor/employee time
2. Separation costs
 - Exit interview costs:
 - Staff conducting interview
 - Departing employee being interviewed
 - Payout of annual leave for departing employee
 - Separation administration:
 - Internal, COBRA, HIPAA
 - Unemployment:
 - Administration
 - Hearing
3. Replacement Costs
 - Communicating job availability costs:
 - Advertising
 - Staff costs to prepare ads
 - Recruiter / Staffing Agency
 - Screening candidates costs:
 - Recruitment response screening
 - Reference checking
 - Pre-employment testing
 - Interviewing and selecting candidates costs:
 - Staff preparation and actual interviewing time
 - Select final pool of candidates & final candidate
 - Administrative Costs:
 - Payroll staff costs
 - Employee's New-Hire administrative paperwork
4. Training and Learning Curve Costs
 - Orientation Costs:
 - Staff conducting orientation
 - New employee attendance
 - External training (seminars, workshops):
 - Fees
 - New employee attendance (time away from job)

- On-the-job training:
- Staff conducting on-the-job training
- New employee time
- Employee Learning Curve (before reaching 100%)

When you add it all up and depending up on the level of job it is not out of the question for this cost to be the equivalent of one year's salary. One of our clients with approximately 1,000 employees found that every 1% drop in turnover saved him nearly \$188,000. So how do we actually reduce turnover?

One of the most obvious methods to reduce turnover is to hire the right people (more on this in the next article). There are other solid human resource practices that can make a contribution as well.

These include:

1. Proper new hire orientation
2. Strong performance management systems
3. Up to date and fair employee policies
4. Fair compensation and benefit programs
5. Employee opinion surveys
6. Safe workplace
7. Supervisor/management training

How do you stack up in these areas? If you are unsure I recommend a comprehensive human resources audit. This can identify the areas that you are excelling in and provide some direction in areas that may be lacking. If you are interested in measuring your current cost of turnover, here is a website that will get you started.

www.chally.com/turnover_cost_calculator.htm

In our next article in this series we will look at Talent Acquisition and ways of ensuring a good company fit.

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