

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

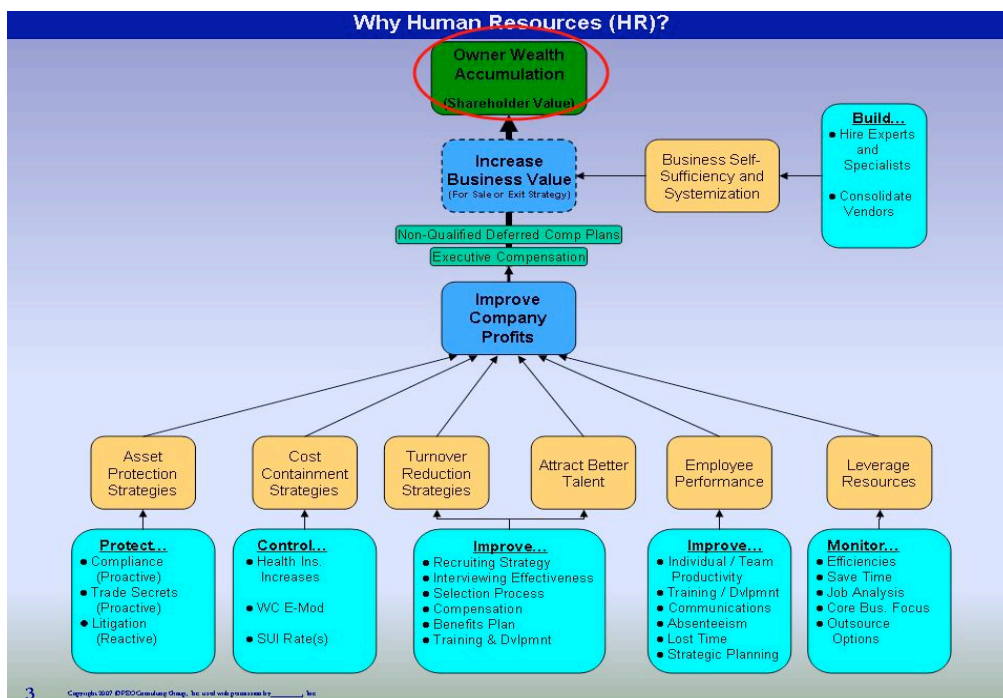
I am often asked by small business owners the why question. Why should I invest in human resources? Without employees the business model falls apart but come on I am getting it done. If I am profitable why bother? Fair questions to be sure. My answer is as follows:

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 be a sound business decision?

This is the first in a seven part series which will explore how human resources can have a significant and measurable impact on a small business and shareholder value. Our mission will be as follows:

To improve Shareholder Value (or Business Owner Wealth Accumulation) in our Client Companies by delivering Human Resource Services in a strategic manner that impact each Client's Profitability and Business Value.

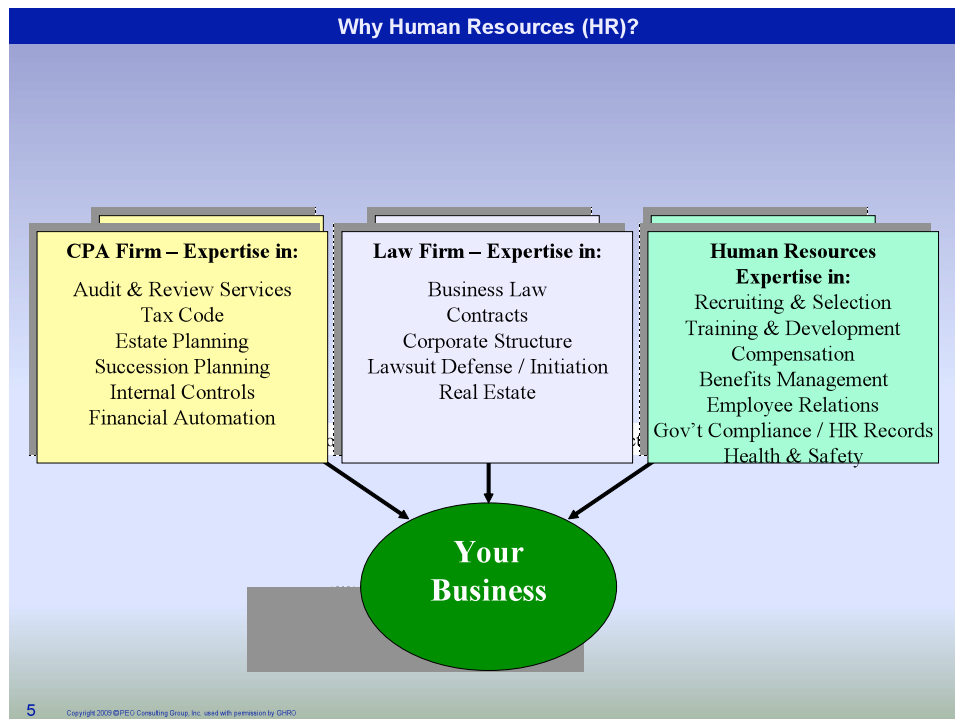
To accomplish this lofty goal it is useful to introduce the following model:



The key to providing this kind of shareholder value is to first determine the leverage points where human resources can add real value. These include:

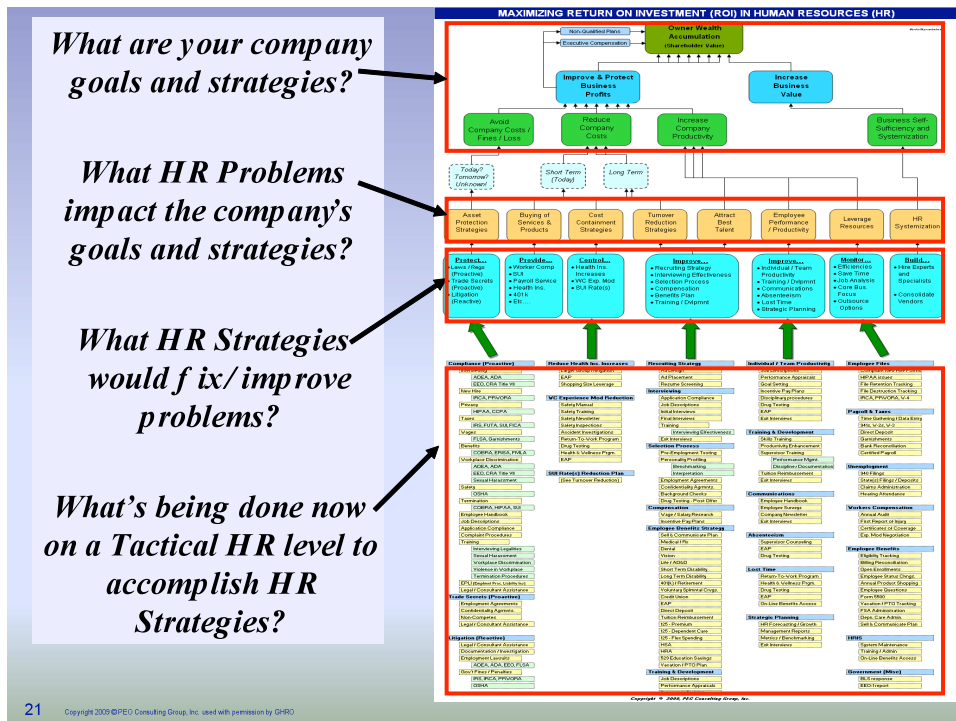
- **Turnover** – the real cost drain is usually much larger than most companies understand
- **Inability to attract top quality employees** can significantly hold back a company’s financial growth.
- **Employee Productivity and Performance** – monitoring and improving this can have a big financial upside
- Additionally there are some direct Employment Costs that warrant **Long Term Cost Containment initiatives**
- While we can’t operate without employees, they also pose a huge liability, so **Asset Protection strategies** are necessary to prevent potentially devastating losses there.
- And last but not least, **leveraging employees resources**, especially at the top can keep your vision on track.

When looking at the contribution human resources is capable of making I think we need to view the function in a similar light of our other trusted advisors.



Your CPA firm is your trusted advisor in all matters related to the financial aspect of your business. The same is true of your law firm related to all things legal. To enjoy the full benefits that human resources has to offer I would suggest that a similar arrangement needs to occur.

Consider the following:



By understanding the company's goals and strategies, and getting a grasp of what possible human resource problems are present, we can design strategies and tactics to accomplish those strategies and fix those problems. Why bother fixing the problem at all? How much could this possibly cost me? Again, fair questions so let me provide a quick example. Let's look at the following company.

- 30 Employee Company
- \$5,000,000 Annual Revenue
- Net Profit – 8% equals \$400,000 per year

If we could raise current productivity from 70% to 100% the total increase in profits would be \$600,000 over a five year period. Impossible you say? Of course it is because we are dealing with people and 100% is not achievable. But what about 80%, 85%?

In the next article we will look at Asset Protection Strategies and ways that human resources can add value and PROFITS to your business.

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