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TURNING A CORPORATE EXPENSE INTO AN ASSET

By Dennis S. Passovoy

HOW many times have you heard it said, hopefully in jest, "This would be a great company to work at if we didn't have any employees or customers!"? While I won't even attempt to address the latter issue, allow me to take a stab at the former.

It actually is not unreasonable to think you could run a company with no (or more accurately, almost no) employees. In fact, doing so can dramatically alter your cash flow for the positive. A good example of this involves two companies with similar revenues, both of which make frozen pies sold through grocery stores. One, I'll call them ABC Pies, enjoyed modest growth and profitable operations. The other, XYZ Pies, also was growing, but doing so faster than their net cash flow could support. Without an external source of cash, they were doomed to run out of money.

So, XYZ's CEO did one of the few things he could and still hang on to his company – he outsourced everything except his prized secret recipe. This left him with only himself and an assistant as employees. The bulk of the company's functions – marketing, sales, production, shipping, accounting, legal, and so on – were handled by outside vendors.

Without debating the wisdom of XYZ's actions, most organizations do not take such a drastic course; they therefore need employees. And, I would contend, need those employees to be engaged, happy, healthy, and therefore, productive in order for the company to meet its corporate goals, especially in today's challenging economic times.

But is all of this really necessary? Do I really care if my turnover is low? Many business owners and managers will contend, especially in tough economies, that there is a long line of potential employees waiting to work for them. Therefore, the logic would suggest, managers don't need to spend time and money making sure their employees are "engaged, happy and healthy."

Not so. Current wisdom says the true cost to a company to replace an employee is one times that position's annual salary. This takes into account lost

productivity (for that position) while that position is empty, recruitment cost(s), on-boarding cost(s), training cost(s), and the productivity ramp once the new employee joins the company.

You can add to that the time already on-board employees spend dealing with the administrivia in their personal lives. Things like doctor appointments, childcare and/or school problems, financial issues, dropping off and picking up dry cleaning, and so on. According to Salary.com's fourth annual Wasting Time at Work study (2008), 22 percent of respondents admit to wasting up to two hours per day doing things like surfing the Internet, socializing with co-workers, making personal phone calls, or conducting personal business.

Too many managers treat their employees as if they were necessary evils. On the other hand, those managers that are enlightened recognize that over 90 percent of their corporate assets walk out the door each night, and they believe it is their job to make sure those assets return to work the next day.

By paying attention to things like presenteeism (i.e., employees coming to work despite the fact that they are sick, and therefore not contributing a full-day's productivity) and creating a corporate culture that puts the employees as the first priority to the company, ahead of customers, community, vendors and profit, everything else will fall into place. The logic dictates that if you have engaged, happy and healthy employees, they make the customers happy and willing to return for more of what you sell, which in turn makes the shareholders happy.

At the end of the day, you turn what some managers mistakenly think of purely as an expense, into a corporate asset – one that allows you to reach your corporate goals more quickly and more profitably.

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