
HR THAT WORKS COST CALCULATOR

There is no substitute for sound HR management practices. It makes no difference if you are a professional firm, retail outfit or contractor. It makes no difference if you have 5 employees or 50,000. It makes no difference if you have seasoned HR executives or not. Many companies fail to see the true cost of poor HR practices and don't embrace the right ones until they get whacked in the head enough times that it begins to hurt!

Great companies don't wait for the pain, they model best practices. This is not rocket science; it's just plain common sense. By going through this calculator and using your own figures you will see the bottom line distinctions HR That Works can help to create at your company.

Hiring

Consider the cost of a poor hire(s). What effect do they have on a team going 65 mph when they enter it at 40 mph? How do backups, road rage and accidents sound? How much did your last bad hire(s) cost you? \$25,000, \$50,000, \$100,000, more?

Additional considerations:

- Cost of hiring someone without the necessary *skills*. (i.e. a failure from day one)
- Cost of hiring someone with significant *character* defects. (In a recent case a woman fired for her abusive personality received a 190K verdict for violation of the ADA!)
- Cost of hiring someone with a *drug problem*. (Two-thirds of all drug users have a job!)
- Cost of hiring a *workers compensation claim*. (Are you doing pre-hire physicals?)
- Cost of hiring a *criminal*. (How many felons does it take to make for a bad day?)
- Cost of the *wasted time and energy* going through the hiring and enrollment process. (It should take many hours and weeks to hire and train a new employee properly. 100% of that effort is wasted when that new hire leaves or is fired in the first 90 days.)
- Cost of the *unemployment claim* or *frivolous lawsuit* when you fire them. (Remember, most employee lawsuits are poor hiring decisions that never got better!)

Cost of your poor hire(s) over the past 12 months: \$ _____

Retention of Good Employees

Consider the cost of turnover. According to the *HR That Works* Turnover Cost Calculator, a 50K white-collar employee costs *at least* 54K to replace. This is an average figure only. One executive recently stated his loss of a top sales manager cost him 300K easily!

Additional considerations:

- What if they take other *good employees/managers* with them?
- What if they take *valued customers or clients* with them?
- What if they were *top revenue generators*?
- What if they *spread ill will* in the business community?

- What if they take *proprietary information* such as trade secrets with them?
- What if they decide to *start their own business* and compete directly against you?

Cost of losing good employee(s) over the past 12 months: \$ _____

Performance Management

Consider the impact on your organization if employees were more productive – even if only by 1%. For example, if your payroll is \$2 million and you make it only 1% more productive, the bottom line impact is at least \$20,000. Probably more than that since they are there to add value. If a 2,500/year professional bills \$250,000 per year, making him or her 1% more efficient adds \$25,000 directly to the bottom line! If your average revenue per employee is 100K and you have 10 of them we are talking about \$10,000. (Maybe even more given the synergies involved). And—we are only talking about a hyper-conservative 1% factor. What if it was 5% or 10%?

Additional considerations:

- Chances are managers are not *100% clear* about what is most important to company leadership. (P.S. You'll never know if this is the case unless you ask them).
- As Dr. Deming stated, chances are managers are *recycling this ignorance* to supervisors who are in turn recycling *their version* of it to the rank and file.
- Chances are *nobody* enjoys doing or receiving performance evaluations.
- Chances are your performance evaluations *don't improve performance*.
- Chances are your performance *meetings could be more fun and effective*.
- Chances are if you have an employee suggestion system it has more dust on it than suggestions in it. (P.S. there is a secret to *making employees contribute*.)
- Chances are you haven't developed Standard Operating Procedures (SOPs) *for the what and how* of everything you and your company does every day.
- Chances are you haven't captured your "*best practices*" in a systematic manner. Which means some folks are doing the exact same activity better than others because they know the "best way" to do things, while their co-workers do not.

Potential benefit to your business if you increase performance annually by 1% - 5%.

Total Payroll \$ _____ X _____ % = _____

Discipline and Termination

Consider the fact that most disciplinary systems were designed more than 50 years ago, when management *controlled* employee performance and as a result *owned employee problems*. The goal today is to place employees in a position where they are most likely to succeed and then to let them "*own*" and *take responsibility* for their problems. Let me show you how this works by asking you this: is there anyone at your company that if they *quit today* you would be *relieved* as

opposed to upset? Then why are they there? What damage will their continued presence create? What are people not telling you about them?

Additional considerations:

- Most managers don't understand the distinction between being responsible *for* an employee vs. being responsible *to* an employee. Unless we want to play parent games we must be responsible *to* the employee, not *for* the employee.
- Most managers discipline employees in a manner that sets off "*fight or flight*" responses, not the taking of *responsibility*.
- Most managers do a *poor job of rewarding good performance* and spend 80% of their time managing 20% of employees causing most of the problems.
- The *failure to properly document* poor performance is one of the main reasons why we hesitate to fire poor performers.
- Do you have someone you can call on a regular basis to *help* you navigate through rough waters?
- P.S. There is a way to get employees to take responsibility!

Potential cost to your business of keeping poor employees assume *at least 5%* impact on fellow team members:

Impacted Payroll \$ _____ X _____ % = _____

Time Management and Delegation

People can be very productive doing the *wrong thing!* Consider how many of your \$100/hour executives are doing \$25/hour work. Consider that most of us feel *overwhelmed* by the never-ending stream of *information* and accompanying *choices* we have. Consider that our ultimate goal is to "*control less and accomplish more.*" Are you working in your "highest and best use"? Are others?

Additional considerations:

- What if all your supervisors and managers knew *effective time management* techniques?
- What if they were able to spend 80% or more of their time working in their "highest and best use?" (i.e. if they make \$100/hr, they are doing \$100/hr. work at least 80% of the time. Not \$20 /hr work.
- What if they *learned methods for delegating* all other duties to subordinates in a way that significantly reduces their propensity to make mistakes? (We will teach you that method.)
- What if they knew a way to stay *focused like a laser beam* and didn't find their time gobbled up by everyone else's "gotta-minutes?" (Again, there is a technique.)
- What if they had an effective method for analyzing the use of their time? (HR That Works users are provided 3 Excel forms to do this.)

Potential benefit to your business of increasing time management and delegation by 1%-5%:

Total Payroll \$ _____ X _____ % = _____

Playing Team

People can be very productive and efficient, yet work in silos and not play team. Consider that your experience on teams differs from most everyone else, giving you a unique perspective on what it means to be a team member. Also consider the truism that everyone thinks they are more committed in a relationship than the other person. *No wonder* it is so difficult to play TEAM!

Additional considerations:

- Who wants to be on a team that generates *more losers than winners*?
- How are employees *being incentivized* for playing team?
- Have you figured out yet how to teach teams to *support each other*? (There is in fact a very easy method to do this.)
- Does everyone on the team *know the rules* or is everybody assuming they do? (We have a powerful form that can get everybody on the same page.)
- How are you keeping employees focused on the value of playing team?

Potential benefit of increasing teamwork by 1%-5%.

Total Payroll \$ _____ X _____ % = _____

Workers Compensation Costs

Consider the fact that most traditional safety programs do very little to help accidents, prevent frivolous claims and reduce any malingering on legitimate ones.

Additional considerations:

- Make no mistake, insurance companies don't pay claims, you do (Ask us to explain that to you.)
- Many companies pay a hefty insurance premium because their broker *does not specialize* in worker's compensation. As a result, companies get poor advice on how to properly classify employees, manage claims and lower their experience modifier. (Only work with a Work Comp specialist)
- Many times your employees are in the *wrong rating classification*. (And nobody know about it.)
- Many claims are generated by a *corporate culture*. (And we can show you how to fix that, too.)

Potential benefit of reducing your worker's compensation costs by 1-5% or more:

Total premium costs \$ _____ X _____ % = _____

Benefits and Rewards

Consider that to some degree all employer sponsored benefit and reward programs are under-utilized and unappreciated. How much do employees appreciate yours?

Additional considerations:

- Does your health care program encourage employees to be *healthy*?
- Are your employees taking *full advantage* of any 401(K) type programs?
- Are your bonus, incentive and reward programs *aligned with your strategic plan* and producing results in that direction?
- Do you have a formula for analyzing their *effectiveness*? (There is a great process for this).
- Do your rewards create *more winners than losers*?

What would be the financial impact of increasing the impact of your benefit and reward programs by 1-5% or more?:

Total Benefits Cost \$ _____ X _____ % = _____

Personnel Law Compliance

Consider the fact that the employee wins their lawsuit more than *two thirds* of the time and that the average employment practices verdict exceeds \$250,000, with the cost of defense easily exceeding \$100,000. And it's only getting worse, not better.

Additional considerations:

- Some 15% of employee verdicts include a punitive damage award exceeding \$1,000,000.
- The average settlement of an EPL claim is \$75,000
- It easily costs \$35,000 to settle even the most frivolous lawsuit. The cost of fighting a frivolous suit to prove you are "right" is even greater.
- Most employees won't disclose compliance concerns to management. Whether something wrong is happening to them or someone else. (Fortunately, there is a way to *make* them do so).
- Managers fear firing poor performers due to litigation exposures. What is the cost of keeping on *dead weight* because someone at your company fears a lawsuit?
- Remember, this is *severity* exposure, not a *frequency* one.

Potential cost to your business of remaining vulnerable to today's litigiousness (or how much did your last claim cost you?): \$ _____

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Additional Considerations

Including absenteeism, health care abuse, customer satisfaction, dollars wasted on fruitless efforts and more \$ _____

Adding It All Up

Cost of poor hires	\$ _____
Cost of losing good employees	\$ _____
Cost of poor performance management	\$ _____
Cost of poor discipline and termination decisions	\$ _____
Cost of poor time management	\$ _____
Cost of not playing team	\$ _____
Cost of wasted benefits and rewards	\$ _____
Cost of excessive work comp costs	\$ _____
Cost of personnel law compliance exposures	\$ _____
Additional considerations	\$ _____
Total potential exposure for one year	\$ _____
Total exposure over next three years	\$ _____
Cost of replacement revenue	\$ _____

(Given fixed overhead costs, *figure a 3x multiple at the minimum.*
So for example, it will take 300K *net revenue* to replace 100K in *direct costs*)

How much you would be willing to spend to avoid the above impact to the bottom line? Perhaps now you understand the incredible financial distinctions a properly run HR department can create at your company and how HR That Works can help get you there!