Simple but not simplistic...

"I want the highest paid people that cost me the least amount of money" ... said the company president.

Let me explain. Evidently your CFO thinks so little about how much people are paid by the hour or salary, it's not mentioned anywhere in your financial statements. As a matter of fact, not only do they not care about rates of pay, they evidently don't care how many employees you have... that's not mentioned either. No one can tell from your financials whether you have 100 employees in Michigan, or 500 in Mexico. However, what is critically important to your CFO is the total cost of all wages and benefits compared to the value of goods or services produced.

As an example, in its simplest form: what percentage of sales or gross margin are total wages and fringe benefits? An illustration – would you rather have 200 average employees earning $15 per hour and producing 20 million in products/services, OR 150 highly engaged employees effectively earning $17.50 per hour (about $400 per month more variable pay) and producing the same 20 million in sales? Hopefully you said the latter. You would have spent $800,000 less in payroll and would have reduced your payroll cost from 31% of output to 27%. Not to mention reduced fringes, health care and workers comp exposure. Higher <u>paid</u> individuals... costing you <u>less</u> as a ratio of output. That's a win-win. That is exactly what the company president in the title of this Brief wanted. However, the key is having the additional $2.50 per hour (in this example) tied to performance. Creating a culture and a system to do that is both an art and a science. But well worth the effort and the financial return.

Over the last 100 years everything in business has changed, EXCEPT the way we pay people. The vast majority of compensation is an exchange of employee time for company money. And if we are honest, with little tie to organizational performance... really. Highly productive, quality conscious, and truly engaged employees can **significantly drive down costs** and improve financial results. I have always referred to this opportunity as "the final frontier". Technology and process is available to all your competitors – the performance-based culture you create is not. That's what can set you apart and give you the competitive advantage.

Virtually every organization deploys capital, technology, lean, 5S, black belts, etc. They have to, just to keep up. And all that is good. But there remains a very serious question: exactly how motivated are your employees to optimize those investments, tools and strategies?

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Here is an interesting visualization: Look around at your current organizational pace, your current productivity, and imagine for the moment what it might look like if you were to become a printing press… printing money, AND your employees could keep 20% of the money they printed. How fast would those presses run? Would employees at all levels be interested in it running faster, with better quality, and fewer break downs? You bet they would, and the biggest leadership challenge would be staying out of their way.

Now, explain to me the difference between that crazy visual and your financial statement. Back to your CFO again… evidently they don't care what you manufacture, that's not mentioned in the financials either. They just want to know how many dollars are on the top line – how much money did you print this month, how much did you spent to do it, and is there anything left over (profit) at the end of the month?

Highly engaged, focused employees, who equitably share in incremental performance gains, will print more money, cost less doing it, and yield significant bottom line improvements. Let us show you how to create a culture of radically engaged, results driven employees – at all levels.

This is a very effective strategy in circumstances where attracting and retaining employees is difficult and challenging.