

# HIGHIMPACTPROGRAM

NURTURING THE PROSPERITY OF GREATER LOUISVILLE'S GROWTH BUSINESSES

High Impact Report Series #4

*A look at growth leadership*

**PEOPLEPOWERPLANNING™: An Emerging Recruitment Model**



4



# WE'VE TAKEN CONSULTING OUTSIDE THE BOX AND INSIDE THE BUSINESS.



*Today's businesses are faster, more responsive and more interactive than ever. That constant change requires a new kind of expertise. We can help. We're a pioneering professional services firm. Our seasoned professionals work inside our clients' businesses, alongside their people, to help develop the tactics and logistics necessary to carry out strategic initiatives. And get the work done.*

**BUSINESS. FROM THE INSIDE OUT.**

## TABLE OF CONTENTS

|   |        |
|---|--------|
| EXECUTIVE SUMMARY   | 1      |
| BACKGROUND<br>High Impact Program   | 2      |
| REPORT METHODOLOGY  | 2      |
| SUMMARY OF RESULTS<br>Workforce Composition<br>Workforce Challenges<br>Employee Turnover Rates - Voluntary by Industry<br>Employee Turnover Rates - Voluntary by Region<br>The Future and Change<br>Workforce Benefits and Challenges | 2      |
| PEOPLEPOWERPLANNING™ -- LABORBANDS™   | 9      |
| PEOPLEPOWERPLANNING™ -- LABORBANDS™ MANAGEMENT  | 10     |
| LEVELS INVOLVED IN SUCCESSION PLANNING<br>Strategic Indicators  | 12     |
| ADDITIONAL SOURCES, SUGGESTED READING AND RESOURCES   | 13     |
| APPENDICES  | 14, 15 |
| ACKNOWLEDGEMENTS  | 16     |
| ABOUT THE AUTHORS   | 17     |

## EXECUTIVE SUMMARY

By definition, high impact businesses are high growth businesses. A high degree of change is necessary in high impact businesses to respond to market pressures: demand for improved delivery of services, global influences, rapid changes in technologies and increased competitiveness. But a traditional employment model doesn't allow businesses to be agile enough to adapt quickly to changing business needs and conditions. Existing employees often lack the skill sets and competencies needed for new business, and training for new skills isn't always an effective option in a fast-paced environment. High labor costs as a percentage of the cost of doing business makes it imperative that businesses maximize their return on investment in people. Added to these challenges, employers are losing their ability to respond to business issues as experienced employees retire and take with them the institutional wisdom that they bring to the conference table.

A new strategy of handling the labor needs of high growth businesses is emerging. This strategy calls for blended use of traditional employment and independent workers, and provides an agile workforce with the ability to respond to changing business needs, resulting in the best use of PeoplePower™. The different types of workers that can be utilized in this scenario are traditional employees, including both full-time and part-time employees, in-sourced services, which is defined as contract workers or consultants who function as independent workers on-site at the business, and outsourcing. In this report, these various types of employees are classified as LaborBands™. Employers can minimize labor costs and maximize effectiveness by choosing the most appropriate resource given their business environment. Consultants and contract employees can sometimes offer the best of many worlds: control, ownership and collaboration.

Many high impact businesses are caught in a “war for talent.” High impact employers are finding it challenging to keep the talent they've got, and also find the qualified employees they need for their quickly growing business. While many are using a blend of labor — employees, contract employees, consultants, and outsourcing— few are optimizing these opportunities. For example, when asked during one-on-one interviews about their organizations' use of consultants and contractors, most high impact employers responded that they really don't use these resources. However, upon further probing, these organizations use consultants and contractors, including in the areas of IT support, accounting, payroll, legal, human resources (especially in recruiting and payroll), and when subject matter expertise is required. But these same organizations fail to consider in-sourced and outsourced professionals as a part of their overall workforce planning.

By using a more strategic approach called PeoplePowerPlanning™, high impact companies can decrease employee turnover, increase effective management practices, manage their labor force more effectively, and maximize their agility in changing business environments. PeoplePowerPlanning™ worksheets are included in this report to strategically align PeoplePower™ to organizational objectives while taking into account employee turnover and costs.

## BACKGROUND

### The High Impact Program

The High Impact Program is a public/private partnership that was initiated by Mayor Jerry Abramson, is funded by Louisville Metro Government and administered by Greater Louisville Inc. —The Metro Chamber of Commerce (GLI). The focus of the program is to identify and serve fast-growth companies, companies with the potential for fast growth, and those companies that enable fast growth in other businesses. The resulting portfolio of high impact companies has a disproportionately higher economic impact on the Greater Louisville metro area economy. The High Impact Report Series, a product of the High Impact Program, is designed to provide solutions and ideas for the benefit of the High Impact Portfolio member companies. This is the fourth report in the series, and it focuses on PeoplePowerPlanning™. The premise of this report is that executive leadership of a high impact company can substantially reduce the company's labor costs by engaging in strategic PeoplePowerPlanning™.

## REPORT METHODOLOGY

First, a broad scan was conducted to identify impactful PeoplePowerPlanning™ strategies. Second, live interviews were conducted with a representative sampling of High Impact Portfolio companies' executive management team members to determine key issues impacting people planning resulting in PeoplePowerPlanning Strategies™. Third, an electronic survey was sent to all 123 (as of June 30, 2008) portfolio companies, of which 28 responses were received, resulting in a 22.76 percent response rate. This report highlights PeoplePowerPlanning™ challenges, and regionalized findings from both the high impact company interviews and survey results.

## SUMMARY OF RESULTS

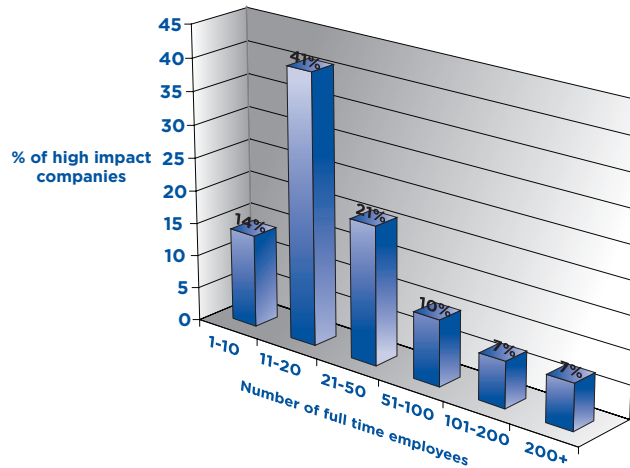
### Workforce Composition

The majority of high impact companies are small- to mid-sized organizations, with 10 to 50 full-time employees. (See Figure 1 for a look at the number of employees at high impact companies.) Most businesses have fewer than five part-time employees and utilize between two and 10 consultants and contractors (in-sourced services). The level of outsourcing represents fewer than 10 full-time employees for the majority of these businesses. Outsourcing rates are still relatively low for most high impact businesses.

Companies primarily in-source and outsource payroll, legal, and accounting and prefer to keep customer-based services like sales and customer service in-house.

When questioned, most high impact executives indicated that they do not rely heavily on consultants, contractors, and outsourced services to meet their staffing needs.

**FIGURE 1**



### Workforce Challenges

The alarm that has been ringing in the ears of senior managers and business owners lately has become louder and more painful as they see retirements and job-hopping drain their organizational “brain power.” Unfortunately, poor knowledge retention and management as well as lack of talent planning strangles many organizations’ ability to execute their growth plans. Most high impact businesses have relatively low annual vacancy and retirement rates (none to 73 percent) while experiencing higher turnover rates (between 5.43 and 65.79 percent).

Surprisingly, High Impact Portfolio members are projecting higher growth from workforce expansion than from revenue growth. A critical point to note is that PeoplePower™ costs represents a significant portion of total costs, averaging 59 percent among the High Impact Portfolio companies. PeoplePower™ costs increase as the classification of the industry sector moves toward the new knowledge economy business models where brains are valued more than brawn. (See figure 2 for a look at turnover, vacancy and retirement rates of high impact companies.)

**FIGURE 2**

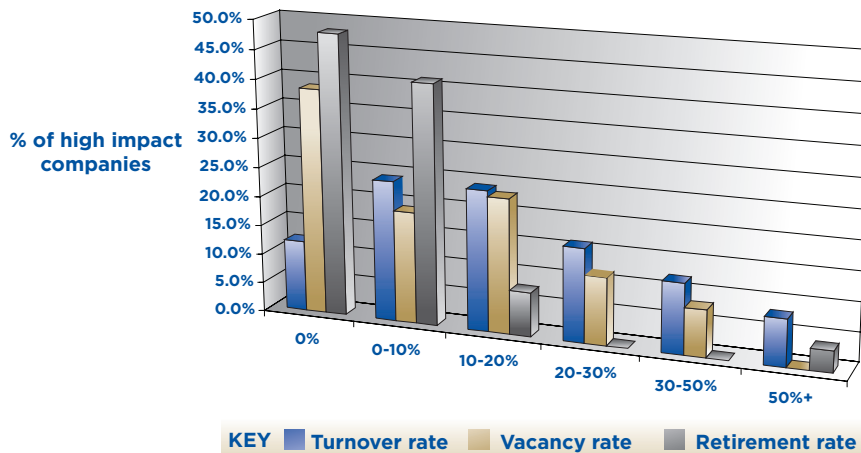


FIGURE 3

CONTINUUM



Turnover rates combined with retirement rates may foretell future difficulties in having the talent on-hand to meet growing and changing business conditions.

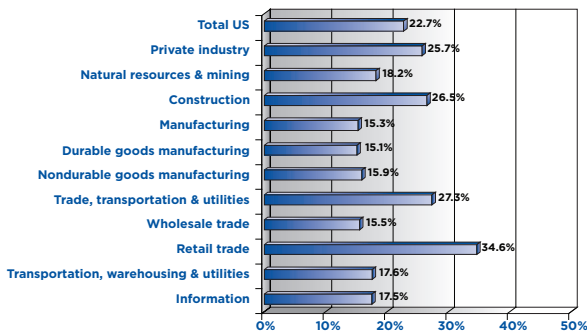
Turnover is on the rise. Bureau of Labor statistics, compiled by Nobscot Corp., indicate a slight rise in annual U.S. voluntary turnover, to 23.4 percent in August 2006 from 22.7 in August 2005. The highest percentage of turnover by far is in the accommodation and food services sector at 56.4 percent, followed closely by the leisure and hospitality sector at 52.2 percent. Sectors that saw the highest increase in turnover were accommodation and food services, up seven percent from the previous year, leisure and hospitality, up 5.4 percent and information, up 4.5 percent. The only sectors seeing a decrease in turnover, but just slightly, were real estate, natural resources and mining, and professional and business services. In the government sector, turnover was up slightly at 8.2 percent with the federal sector increasing the most to 9.3 percent up from 5.7 percent. Regionally, all areas were up slightly except the Northeast which saw a slight decrease. (See figures 4 and 5.)

Employee Turnover Rates - Voluntary by Industry

FIGURES 4 AND 5

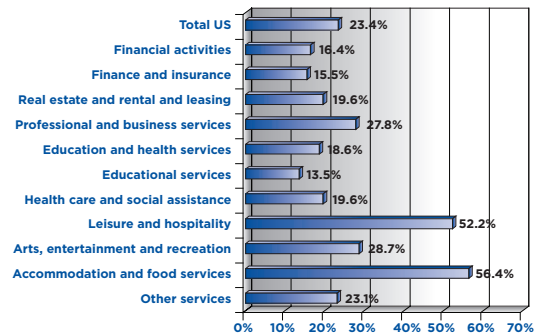
SEPT. 2004 TO AUG. 2005

Annual U.S. Voluntary Turnover by Industry



SEPT. 2005 TO AUG. 2006

Annual U.S. Voluntary Turnover by Industry

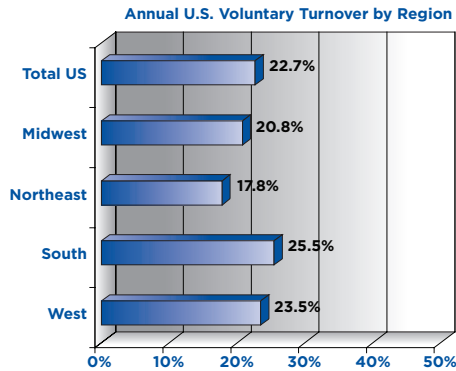


[http://www.nobscot.com/survey/us\\_voluntary\\_turnover\\_0806.cfm](http://www.nobscot.com/survey/us_voluntary_turnover_0806.cfm)

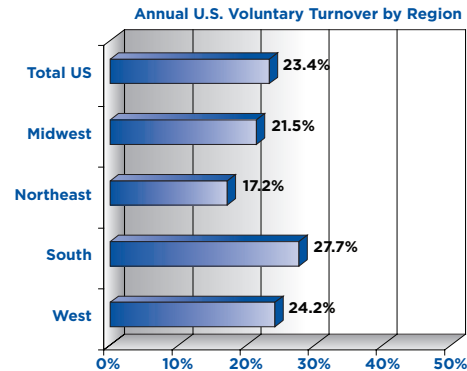
## Employee Turnover Rates - Voluntary by Region

Let's now look at turnover by region. Overall national turnover increased slightly in 2006 to 23.4 percent annually, up from 22.7 percent in 2005. The highest turnover by region is still in the southern region which includes Kentucky. The annual rate of turnover in the southern region edged up 2 percent higher to 27.7 percent in August 2006 from 25.5 percent in August 2005. The Midwest, which includes Indiana, reported voluntary turnover rate of 21.5 percent in August 2006, up slightly from 20.8 percent in August 2005. (See figures 6 and 7.)

**FIGURES 6 AND 7** Sept. 2004 to Aug. 2005



Sept. 2005 to Aug. 2006



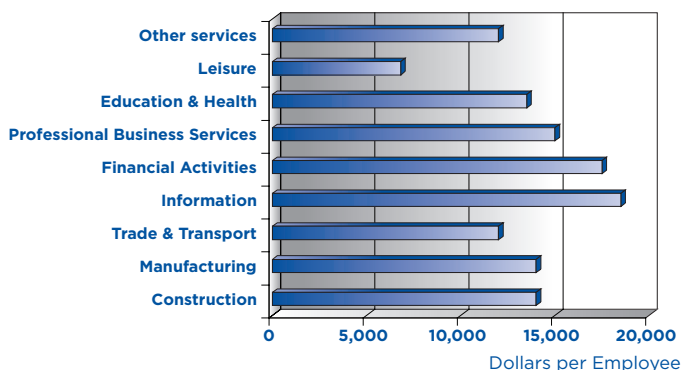
[http://www.nobscot.com/survey/us\\_voluntary\\_turnover\\_0806.cfm](http://www.nobscot.com/survey/us_voluntary_turnover_0806.cfm)

## GEOGRAPHIC REGIONS

| Region           | States   |
|------------------|--|
| <b>Northeast</b> | Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont  |
| <b>South</b>     | Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, <b>KENTUCKY</b> , Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia |
| <b>Midwest</b>   | Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin  |
| <b>West</b>      | Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming   |

The following table shows the potential savings per year for select companies if they were to reduce their employee turnover by just 1 percent. (See figure 9.) These figures are based on public data from *Fortune* magazine's 100 Best Companies to work for, in the February 4, 2008, edition. The estimated turnover cost used below is based on 20 percent of the most common entry level salary of each company. This is a very conservative estimate. In fact, replacing a full-time, private-sector worker costs at least 25 percent of his or her total annual compensation, estimates the Employment Policy Foundation. Across industries, average salary levels cause turnover costs to vary as depicted in figure 8.

**FIGURE 8** Turnover Replacement Cost by Industry



Average replacement costs (new hire costs) vary from \$6,000 to \$18,000 depending upon industry sector.

Source: Employment Policy Foundation tabulation and analysis of Bureau of Labor Statistics, Job Openings and Labor Turnover Survey data.

In reality, employee turnover costs can be much higher. Calculate your own turnover costs using the PeoplePowerPlanning™ Worksheet for Employee Turnover, included in this report (Appendix 1). For exempt/professional/technical positions, human resource professionals estimate the cost of turnover between 50 percent and 125 percent of an employee's annual salary. When using a third-party recruiter, recruiting commissions alone can range between 20 and 35 percent of salary for exempt employees. Realized savings would thus tend to be significantly higher than illustrated below. Experts agree that short-term turnover, generally defined as leaving a job within a year of being hired, incurs the highest costs.

Note that for just a one percent decrease in turnover, every company could realize annual savings between \$400,000 and \$4 million depending upon the size of the company. For an average company size of 64 employees, as represented by the High Impact Portfolio, savings averages approximately \$8,000 by reducing employee turnover by 1 percentage point. The chart below illustrates the savings realized by a sampling of companies in the *Fortune* 100 Best Places to Work list if the companies reduced turnover by 1 percent.

| COMPANY <sup>1</sup>                     | NUMBER OF U.S. EMPLOYEES | TURNOVER RATE %<br>(# OF EMPLOYEES) | SALARY FOR MOST COMMON HOURLY JOB           | ESTIMATED TURNOVER COST PER EMPLOYEE <sup>2</sup><br>(SALARY * 20%) | TURNOVER COST<br>(# OF EMPLOYEES TURNED OVER * ESTIMATED TURNOVER COST PER EMPLOYEE) | REDUCING TURNOVER BY 1%: SAVINGS / YEAR |
|--|--------------------------|-------------------------------------|---|---|--|---|
| Quicken Loans                            | 4,920                    | 26% (1,279)                         | \$41,780<br>Mortgage Loan Processor         | \$10,445  | \$13,359,155   | \$511,805                               |
| Wegman's Food Markets                    | 35,302                   | 6% (2,118)                          | \$27,414<br>Customer Service                | \$6,854   | \$14,515,713   | \$2,419,286                             |
| Edward Jones                             | 31,451                   | 11% (3,459)                         | \$32,454<br>Branch Office Administrator     | \$8,114   | \$28,064,597   | \$2,547,639                             |
| Edward Jones                             | 31,451                   | 11% (3,459)                         | \$32,454<br>Branch Office Administrator     | \$8,114   | \$28,064,597   | \$2,547,639                             |
| Genentech                                | 10,842                   | 6% (650)                            | \$60,138<br>Senior Manufacturing Technician | \$15,035  | \$9,772,425  | \$1,623,726                             |
| Cisco                                    | 32,160                   | 4% (1286)                           | \$57,177<br>Sales Administrator             | \$14,294  | \$18,382,406   | \$4,602,749                             |
| Average High Impact Company <sup>2</sup> | 64                       | 23.4% (14)                          | \$31,2744                                   | \$7,819   | \$117,278  | \$7,819                                 |

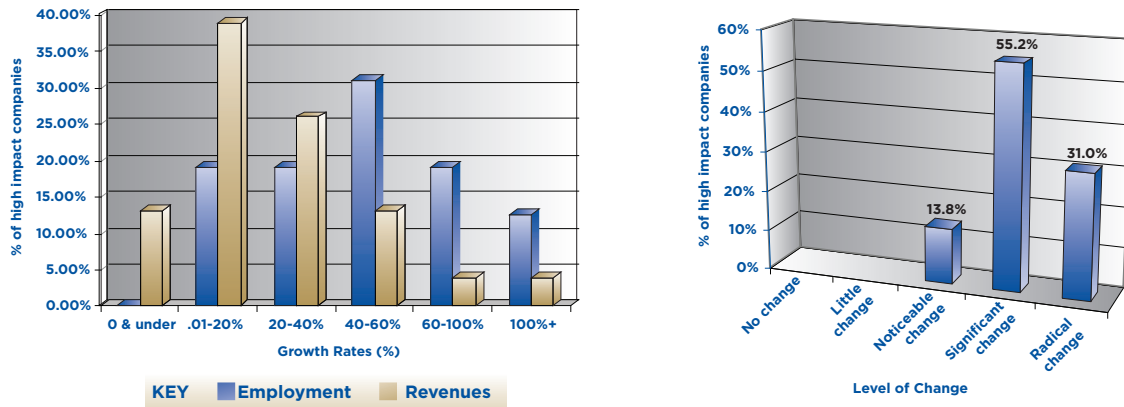
**Notes:**

1. Based on Public Data from Fortune Magazine's 100 Best Companies to work, February 2008.
2. Average US Company Turnover Rate from Bureau of Labor Statistics, year ending 2006: 23.4 percent.
3. Estimated Turnover Costs calculated at 20 percent of most common hourly paid job from the Fortune survey as noted in note one.
4. Bureau of Labor Statistics: Average hourly and weekly earnings of production and non-supervisory workers on private non-farm payrolls, May 2008 weekly earnings \* 52 weeks.

## The Future and Change

Not surprisingly, given the definition of the companies in the High Impact Portfolio, business executives of companies in the portfolio say their companies have experienced noticeable to radical change. Most say they have undergone significant change (55.2 percent) with nearly one-third experiencing radical change (31.0 percent).

FIGURE 10 & 10-1



Much of the change identified by high impact companies has been a result of industry change, such as technology innovation (65.4 percent), increased competition (38.5 percent), and other outside economic forces (35 percent).

When an employee's skill sets become obsolete, the most common strategy is to provide new training to the employee to update his/her skill set. Layoffs are seen as ineffective while internal management — reallocating and training employees — is often effective in retooling a workforce with necessary skill sets. Employee turnover compounded by employee layoffs would result in increasing the turnover rate which in turn increases employee turnover costs exponentially.

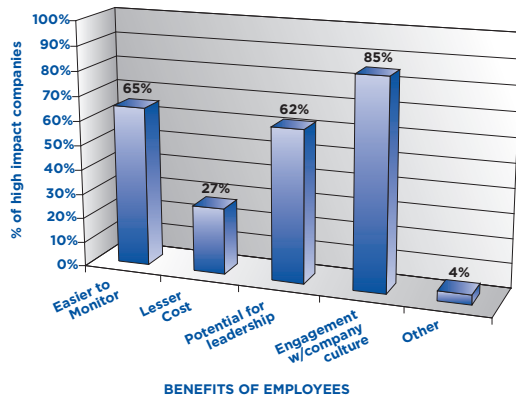
High impact companies are likely to experience radical change, and these organizations are responding to the changing skill sets by training and reallocating employees — not laying off employees which would directly and indirectly impact employee turnover costs.

## Workforce Benefits and Challenges

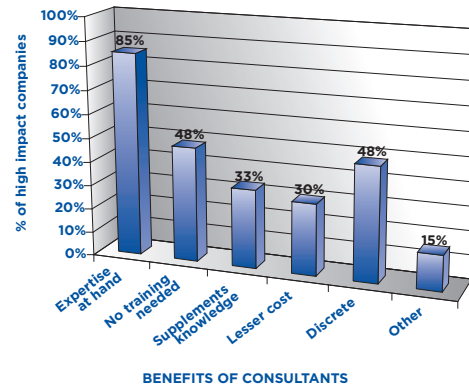
Most high impact companies use traditional full-time and part-time employees to meet their ongoing staffing needs. These organizations identified benefits of employees as their engagement with the company culture (85 percent) and ease in monitoring (65 percent). The challenges for companies that tend to focus on hiring full-time and part-time employees include significant culture shifts: a typical American holds more than eight different jobs between the ages of 18 and 32 alone. Recent research shows that 85 percent of American workers expect to be employed by a new company within 12 months. As recently as 10 years ago, recruiters would have balked at representing a candidate with three jobs in the last five years. Now, it's often regarded as status quo.

On the other end of the continuum, subject matter experts, consultants, and outsourced services, while used less frequently than traditional employment options, are also being utilized by high impact organizations. As perceived by high impact companies, benefits of these outside workers are their ability to bring expertise (85 percent) and ability to work on specific projects (48 percent). Furthermore, these type of workers do not need additional training (48 percent). Benefits of outsourcing are the third party expertise (69 percent), lesser cost (50 percent) and increased efficiency (46 percent). High impact companies identified the challenges of using these workers as the lack of control over their work (56 percent), cost (48 percent) and difficulty in monitoring activity (37 percent). Technical knowledge and skills along with the position's closeness to senior management are key factors in determining whether to hire an employee or utilize external resources.

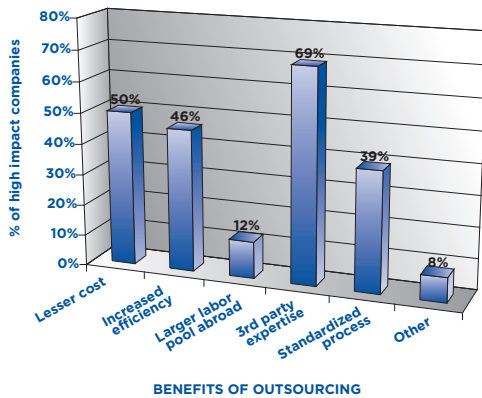
**FIGURE 11**



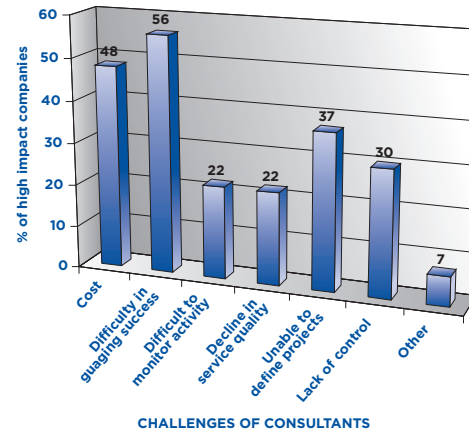
**FIGURE 12**



**FIGURE 13**



**FIGURE 14**



While high impact companies recognize the benefits of using in-sourced services, many say they don't monitor these resources as they do their employees. For example, with basic oversight and management of in-sourced services, these services can be highly effective. Also, the perception of high cost of in-sourced services is often a result of a lack of understanding of some of the "hidden" costs in traditional employees — recruiting and selection costs, training costs, benefits costs, and other management costs.

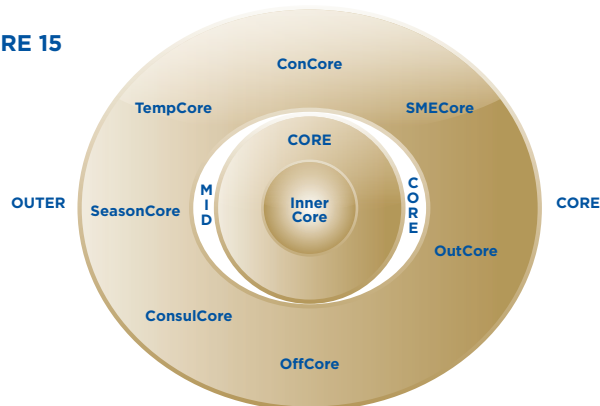
## PEOPLEPOWERPLANNING™ – LABORBANDS™

By using a more strategic approach to PeoplePower™ sources, high impact companies can potentially decrease turnover and maximize their agility in changing business environments.

This means to first identify various PeoplePower™ sources currently being used, including traditional part-time and full-time employees, in-sourced talent from subject matter experts, content experts, consultants and contractors, and outsourced services. In this report, we have identified seven types of outside workers, referred to the outer core of the LaborBand™. There are three LaborBands™. The Inner Core includes founders, key leadership, and subject matter experts essential to the operation of the business. Mid Core includes middle management and many traditional part-time and full-time employees whose work is critical to the business. Types of workers in the Outer Core include non-essential traditional employees, plus contract labor (ConCore), subject matter experts (SMECore), outsourced services (OutCore), offshore services (OffCore), consultants (ConsulCore), seasonal employees (SeasonCore), and temporary employees (TempCore).

The PeoplePowerPlanning™ (P<sup>3</sup>) Strategy Worksheet is designed for executive management to plan and structure their PeoplePower™ needs (Appendix 2). The P<sup>3</sup> Strategy Worksheet allows senior leadership to determine the LaborBands™ that will most effectively meet the objectives of their business. The three LaborBands™ represent the various types of PeoplePower™ that are available to companies to staff their positions.

FIGURE 15



Realizing and better understanding the hidden costs of “employee benefits” and “employee turnover” are two areas that can substantially assist a company in structuring a more cost controlled PeoplePowerPlan™ than impulsively hiring the traditional core LaborBands™ of inner core and mid core PeoplePower™.

The P<sup>3</sup> Strategy Worksheet includes the three PeoplePower LaborBands™ along with both employee benefit and employee turnover calculations. This allows leadership to objectively evaluate how to strategically align PeoplePower™ to the business strategy. Many organizations exclude the costs for ConsulCore, ConCore, SMECore, OutCore and OffCore LaborBands™ from their strategic PeoplePowerPlanning™, which show up as expenses taken directly out of the bottom line – heavily impacting net revenue.

For senior leadership to plan effectively in regards to their PeoplePower™ needs, various LaborBands™ can be aligned to meet business objectives. This will in turn decrease total PeoplePower™ cost for the organization.

## PEOPLEPOWER LABORBAND™ MANAGEMENT

Companies today regularly need the help of in-sourced workers in the outer LaborBand™: to in-source talent and skill sets not available in the current workforce; to solve difficult and unique problems; to overcome hurdles during growth and transition; to fill vacancies created by a leave of absence or an abrupt departure. Often, however, those who are managing consultants have never been in this role and do not know the best way to gain maximum benefit from this increasingly valuable resource.

Outlined here are some best practices for maximizing contract workers, consultants and other non-traditional workers.

**Select the right type of worker for your organization's culture, and the right skill sets for the work at hand.** Some consulting firms are positioned as “the experts” and will come in to tell their client how the problem should be solved; others help their clients identify their issues and team them with an experienced associate who will roll up their sleeves with the client to get the job done. Both are viable models, but chances are that the client will find one of these models a better fit with the company's culture and with the challenges being faced. Finding the consulting firm that provides the best style is essential in maximizing results.

Once the best type of worker is selected, then the next step is ensuring that the right person is being chosen. Have you clearly outlined the duties and responsibilities for this role? Do you understand the skill sets that you currently have on deck versus the skill sets lacking on your current team? Do you have a good idea of the soft skills and competencies needed by this individual? Do your homework up front and ask good interview questions to select the right hard and soft skills needed for the task at hand.

**Establish expectations clearly in advance.** What are the deliverables you expect the consultant to provide as a result of the assignment? What are the project milestones and deadlines? Just as important as these major details, are other more mundane expectations, such as your standards for professionalism, dress code and work behaviors. Will the worker come in your office space or work in their own office? What work hours are required?

**Make them a part of the team.** Sometimes company executives complain that in-sourced consultants and contract workers don't take ownership of the problem and act like “hired guns” without a vested interest in the company. If you want in-sourced labor to treat the problem as it were their own, then treat the person as a member of your team. Invite them to team meetings. Solicit their input in group brainstorming sessions. Copy them on internal correspondence.

**Communicate regularly.** How often should the consultant report in? Should the person communicate via e-mail, voice mail, or during face-to-face meetings? Set up a process for ongoing communication to make sure the person has the necessary information to make informed decisions.

**Solicit their candid feedback.** Have you let the consultant know that you want and need their candid feedback? If you haven't, you may inadvertently be missing out on valuable insights that only an outsider can provide. Remember, too, that while you don't need to heed the advice provided by your person, that remaining open and nonjudgmental may allow the person to keep you in the loop as to problems and opportunities inherent in the project.

**Document as you go along.** Ask the worker to document the steps they are taking and the rationale for their decisions. While most people will commit to staying through until project completion, there may be instances where an emergency situation will call the consultant from the project. Without adequate documentation you might be left in the dark about why decisions were made or how processes were executed.

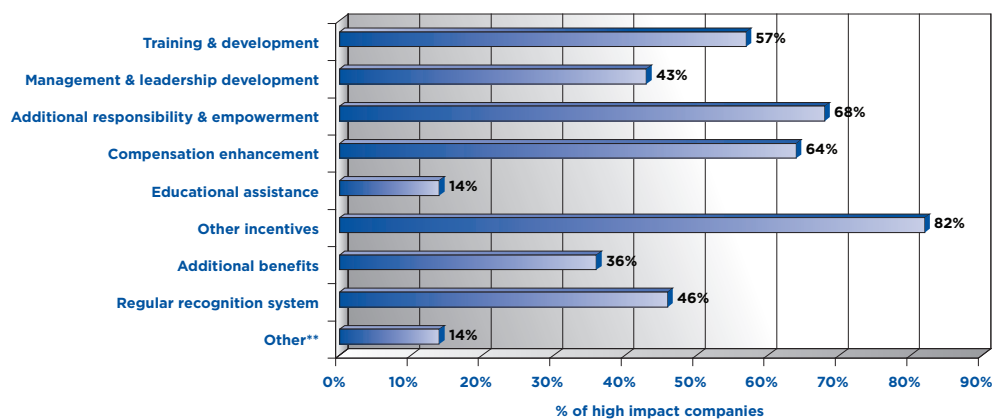
**Reward and recognize consultants when milestones have been achieved.** While people receive what many believe to be top pay for their efforts, those managing the non-traditional workers should realize that people are working for reasons beyond the paycheck: the ability to help others, to solve difficult problems, to make a difference. Celebrate the victories with your in-sourced labor to keep them energized and motivated.

**Transfer knowledge from the worker to your team.** Will you and your team be able to execute on the project after the consultant is gone? If not, you haven't taken full advantage of what they can offer. Periodically ask the person to explain, train, and otherwise educate you and your team. Don't let them leave until your team is up to speed on the knowledge and wisdom that the contract labor possesses.

**Evaluate.** Was the project completed on time? Are the results what you had anticipated? Are you pleased with the direct and indirect outcomes of the work performed by the worker? Have you provided your person with this feedback? By evaluating the process you can not only benefit from lessons learned, but can also improve the way in which you manage the process to ensure you're maximizing your benefit from in-sourced labor.

Since turnover is a key workforce challenge for high impact companies, these organizations are seeking strategies to keep their high performing employees. Incentives such as flex-time are the main retention strategy, followed by giving employees additional responsibility and empowerment. (Figure 16)

**FIGURE 16**

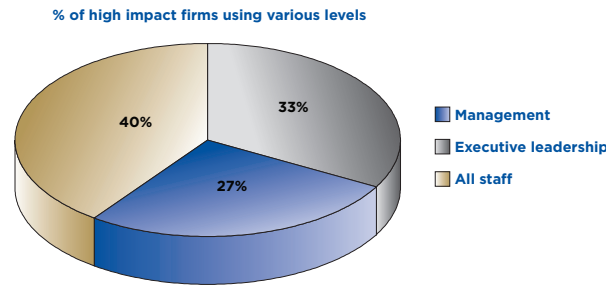


Most high impact companies are relying on low-cost strategies for keeping top talent: flex-time and other benefits, additional responsibility, and empowerment.

Approximately 60 percent of high impact businesses utilize succession planning and/or organizational development in planning for future leadership. No one level for succession planning is heavily favored, but most businesses involve all staff in successful planning.

## LEVELS INVOLVED IN SUCCESSION PLANNING

FIGURE 17

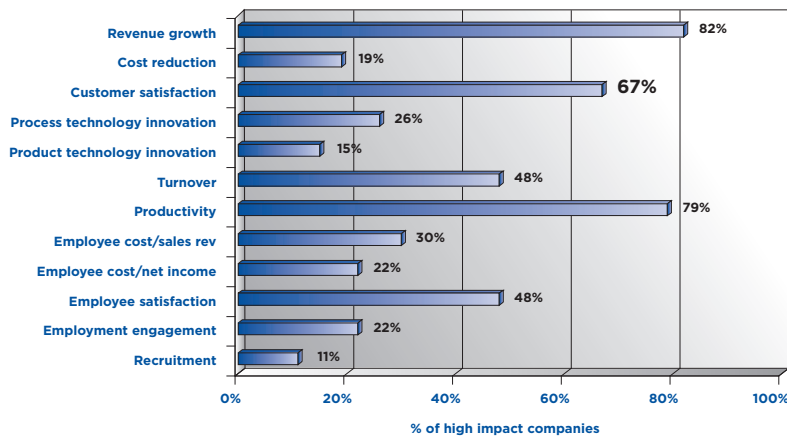


While succession planning and training are effective strategies for retaining employees, they may not serve high growth companies since the lead-times for implementation to realization of benefits may be lengthy and not adequate to support change and growth.

### Strategic Indicators

Revenue growth is the most common workforce metric used by high impact businesses (82 percent), followed by productivity (79 percent), customer satisfaction (67 percent), and turnover and employee satisfaction (48 percent each).

FIGURE 18



According to The Workforce Productivity Technology Council<sup>1</sup>, worldwide economists agree that workforce productivity will be the dominant driver of economic growth during the next 10 years. While “productivity” as a term has been widely used in the fields of human resources and operations, few corporate leaders can adequately identify what constitutes a productive workforce. Executives need to understand and use workforce metrics in the context of other leading operational indicators. Employee attendance, retention and satisfaction can be drivers of sales revenue, product quality, customer satisfaction, and ultimately, financial performance.

In the past, workforce productivity was seen as merely a function of outputs and inputs, which ignored the complex relationship between human capital management and traditional financial metrics. Investing in human capital and restructuring time and workforce development metrics can result in greater revenue gains over time. WorkProTech is trying to create a standard for measuring workforce productivity that incorporates human capital and financial data. For example, current models do not take into account the relationship between training, retention, and attendance.

<sup>1</sup> The Workforce Productivity Technology Council (WorkProTech) has been formed in order to identify and advance best practices and metrics for workforce productivity. WorkProTech is an independent association of corporate and academic leaders with the goal of creating a definitive analytical tool and prescriptive measure for workforce productivity improvement. Retrieved and copied from: <http://www.workprotech.org/index.html> on August 21, 2008.

The premise of this report was that by executive leadership engaging in strategic PeoplePowerPlanning™ in lieu of hiring impulsively and managing PeoplePower™ randomly, the PeoplePower™ costs will be substantially reduced. Since current models do not exist to measure PeoplePower™, strategic PeoplePowerPlanning™ can be aligned to business objectives. When managed effectively, businesses can lower PeoplePower™ costs.

## **ADDITIONAL SOURCES, SUGGESTED READING AND RESOURCES**

Aberdeen Group, 2007, Contract Labor and Professional Services

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# APPENDIX 1

## PEOPLEPOWERPLANNING™ WORKSHEET FOR EMPLOYEE TURNOVER

### PEOPLEPOWERPLANNING™ COST OF EMPLOYEE TURNOVER WORKSHEET

DATE: 2/20/2020      Position: Production Employee  
NOTE: \*For employee hourly cost include salary plus benefits\*

| TYPE OF COST  | TOTAL DOLLARS     | DETAILED DESCRIPTION OF COST CALCULATION                   |
|---|-------------------|--|
| <b>Exit Costs</b>   |                   |  |
| cost of exit interviewer's time (preparation time; interview time; follow up time)  | \$20.00           | 1/2 hr. prep and exit interview @ 20 hr.                   |
| cost of exiting employees time (interview time * hourly rate)   | \$5.00            | 1/2 hr. @ 10 dollars per hr.                               |
| cost of administrative functions related to turnover  | \$25.00           | 2 hrs @ 12.50 per hr.                                      |
| separation pay and benefits   | \$-               |  |
| vacation pay cash out (cash payout)   | \$-               |  |
| increase in unemployment tax (marginal rate increase + additional tax)  | \$-               | estimate - see HR department for specifics                 |
| <b>Vacancy Costs</b>  |                   |  |
| cost of additional overtime   | \$1,080.00        | 20 hrs. @ 18.00 per hr * 3 weeks                           |
| cost of additional temporary help   | \$570.00          | 20 hrs. @ 9.5 per hr * 3 weeks                             |
| wages and benefits saved due to vacancy (savings)   | \$(1,200.00)      | employee not on payroll                                    |
| loss of revenue (calculate by multiplying the number of weeks the position is vacant by the average weekly revenue per employee)  | \$-               |  |
| <b>Replacement Costs</b>  |                   |  |
| pre-employment administrative expenses  | \$37.50           | 3 hrs. @ 12.5 per hr.                                      |
| cost of attracting applicants (advertising, agencies, staff time, staff/interviewee travel, job fairs)  | \$60.00           | run ads: 12ads * 5 times)                                  |
| cost of interviews (time, space)  | \$36.00           | 9 interviews * .25 hour * \$16                             |
| background screening costs (criminal, reference, credit checks)   | \$20.00           | general background check                                   |
| testing costs (skills testing, aptitude, drug)  | \$25.00           | skill and drug etc.  |
| staff costs (review of candidates)  | \$85.00           | 1 manager and two staff for 1 hr.                          |
| relocation travel and moving expenses   | \$-               |  |
| <b>New Hire Costs</b>   |                   |  |
| information gathering/dissemination costs (payroll, benefits, policies, procedures, employee records)   | \$26.50           | administrative tasks for 1 hours                           |
| cost of post-employment medical exams   | \$-               | estimate - see HR department for specifics                 |
| miscellaneous (identification cards, business cards, internal and external publicity announcements, telephone hookups, establishing email account/credit card accounts) | \$-               |  |
| equipment costs (leasing equipment such as cell phones, pagers, laptops, automobiles, etc)  | \$-               |  |
| <b>Training/Efficiency Costs</b>  |                   |  |
| cost of informational literature (manuals, brochures, policies, training materials)   | \$25.00           | training materials   |
| formal training costs (orientation, safety, licensing)  | \$87.00           | cost of instruction, salaries, time etc. (\$14.50*6 hours) |
| informal training costs (salary, on the job training, mentoring, socializing)   | \$99.00           | OJT training   |
| <b>Performance Differential</b>   |                   |  |
| differential in performance costs/benefits (learning curve, salary differential, benefits differential)   | \$95.00           | estimate   |
| <b>TOTAL TURNOVER COSTS PER EMPLOYEE</b>  | <b>\$1,096.00</b> |  |

## APPENDIX 2

### PEOPLEPOWERPLANNING LABORBAND™ PLANNING WORKSHEET

| LABORBANDS™   | DETAIL OF LABORBAND™                | NUMBER OF EMPLOYEES | LABOR COST   | TOTAL LABOR COST    | GROWTH OF EMPLOYEES  | ADDITIONAL LABOR COST | PROJECTED TOTAL LABOR COST |
|---|-------------------------------------|---------------------|--------------|---------------------|----------------------|-----------------------|----------------------------|
| InnerCore   | Founders                            | 2.00                |              | \$300,000.00        | 0.00                 |                       | \$300,000.00               |
|   | Mr. X                               |                     | \$150,000    |                     | None                 | \$0                   |                            |
|   | Dr. Z                               |                     | \$150,000    |                     | None                 | \$0                   |                            |
| Core  | Senior Leadership                   | 2.00                |              | \$240,000.00        | 1.00                 | \$120,000.00          | \$360,000.00               |
|   | Chief Financial Officer             |                     | \$120,000.00 |                     | Chief People Officer | \$120,000.00          |                            |
|   | Chief People Officer                |                     | \$120,000.00 |                     |                      |                       |                            |
| MidCore   | Desired Staffing                    | 21.00               |              | \$1,050,000.00      | 18.00                | \$455,000.00          | \$1,505,000.00             |
|   | Directors                           | 3                   | \$90,000.00  |                     | 1                    | \$90,000.00           |                            |
|   | Managers                            | 6                   | \$60,000.00  |                     | 2                    | \$60,000.00           |                            |
|   | Workers                             | 12                  | \$35,000.00  |                     | 7                    | \$35,000.00           |                            |
| <b>BENEFIT COST = 20% of Salary Cost [(\$300,000+\$240,000+\$1,050,000)*20%=]</b> |                                     |                     |              | <b>\$318,000.00</b> |                      |                       | <b>\$433,000.00</b>        |
| TempCore  | Temporary Help                      | 2.00                |              | \$50,000.00         | 3.00                 | \$75,000.00           | \$125,000.00               |
|   | Temporary Employee 1                |                     |              | \$25,000.00         | 3.00                 | \$25,000.00           |                            |
|   | Temporary Employee 2                |                     |              | \$25,000.00         |                      |                       |                            |
| SeasonCore  | Seasonal Help                       | 2.00                |              | \$36,000.00         | 6.00                 | \$108,000.00          | \$144,000.00               |
|   | Seasonal Employee 1                 |                     |              | \$18,000.00         | 3.00                 | \$18,000.00           |                            |
|   | Seasonal Employee 2                 |                     |              | \$18,000.00         | 3.00                 | \$18,000.00           |                            |
| ConsulCore  | Consulting Assistance               | 2.00                |              | \$80,000.00         | 1.00                 | \$35,000.00           | \$115,000.00               |
|   | Consultant 1                        |                     |              | \$45,000.00         | 0.00                 | \$45,000.00           |                            |
|   | Consultant 2                        |                     |              | \$35,000.00         | 1.00                 | \$35,000.00           |                            |
| ConCore   | Contracted Services                 | 9.00                |              | \$314,000.00        | 2.00                 | \$79,000.00           | \$393,000.00               |
|   | Legal Services                      | 3.00                | 44,000.00    |                     | 0.00                 | 44,000.00             |                            |
|   | Information Technology              | 2.00                | 46,000.00    |                     | 1.00                 | 46,000.00             |                            |
|   | Accounting/Finance                  | 2.00                | 33,000.00    |                     | 1.00                 | 33,000.00             |                            |
|   | Advertising Agency                  | 2.00                | 12,000.00    |                     | 0.00                 | 12,000.00             |                            |
| SMECore   | Subject Matter or Content Expertise | 2.00                |              | \$58,000.00         | 0.00                 | \$0.00                | \$58,000.00                |
|   | New Product Plan                    |                     |              | \$45,000.00         | 0.00                 | \$45,000.00           |                            |
|   | Marketing Plan                      |                     |              | \$13,000.00         | 0.00                 | \$13,000.00           |                            |
| OutCore   | Outsourced Services                 | 2.00                |              | \$24,000.00         | 2.00                 | \$24,000.00           | \$48,000.00                |
|   | Payroll                             |                     |              | \$12,000.00         | 1.00                 | \$12,000.00           |                            |
|   | Benefits                            |                     |              | \$12,000.00         | 1.00                 | \$12,000.00           |                            |
| OffCore   | Offshore Services                   | 2.00                |              | \$37,000.00         | 6.00                 | \$111,000.00          | \$148,000.00               |
|   | Help Desk                           |                     |              | \$24,000.00         | 3.00                 | \$24,000.00           |                            |
|   | Programming                         |                     |              | \$13,000.00         | 3.00                 | \$13,000.00           |                            |
| <b>Employee Turnover Cost</b>   |                                     | <b>9.00</b>         |              | <b>\$97,000.00</b>  | <b>18.00</b>         | <b>\$218,000.00</b>   | <b>\$315,000.00</b>        |
| (use employee turnover worksheet)   | 5.00                                | \$1,000.00          |              | 11.00               | \$1,000.00           |                       |                            |
| to calculate cost of turnover)  |                                     | 4.00                | \$23,000.00  |                     | 9.00                 | \$23,000.00           |                            |

**TOTAL PEOPLEPOWER™ COST**

**\$2,604,000.00**

**\$3,944,000.00**

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Lisa M. Bajorinas  
Director, High Impact Program

In support of the Greater Louisville business expansion strategy, the High Impact Program is a four year old, public/private partnership between the Greater Louisville 25-county MSA region and Greater Louisville Inc. (GLI) – The Metro Chamber of Commerce and Regional Economic Development agency. The program was initiated by Mayor Jerry Abramson, is funded annually by Louisville Metro Government and is administered by GLI. Its purpose is to identify and serve the fast-growth companies, companies with the potential for fast growth and those companies that enable fast growth in other businesses that are headquartered in the region that have a disproportionately higher impact on the metro area economy. The companies are assisted, individually, through GLI's economic development client solutions that include access to growth capital, site selection and real estate, workforce and talent attraction assistance, market research, market exposure, and business introductions. Collectively as a peer community of fast growth executives, the companies are honored annually at the program's High Impact Recognition event, have access to the GLI High Impact CEO Roundtables, attend focused High Impact Exchange programs, learn through the High Impact Report Series and can access the program's website, [www.HighImpactLouisville.com](http://www.HighImpactLouisville.com). The objective is to establish a firm relationship with these high impact companies that enhances their leadership and growth and results in further job and wealth creation for the Greater Louisville community. The intent is for these companies to find it easy to grow a business in Greater Louisville and become the next large, corporate citizens of our community.

## **ABOUT THE AUTHORS**

### **Parminder K. Jassal, Ph.D.**

Dr. Jassal currently serves as a Program Officer in Special Initiatives at the Bill & Melinda Gates Foundation. As an entrepreneurial technologist and strategic planner and implementer, Dr. Jassal has enjoyed a rewarding career in research as well as launching new products and developing innovative programs. Previously, she served as the Director of Workforce Solutions at Greater Louisville Inc. where she designed and implemented workforce and higher education strategies for the Greater Louisville region. Selected highlights of her work include creating an innovative business/academia connection process that resulted in the formation of the HIRE Education Forum and the creation and launch of [www.LouisvilleWorks.com](http://www.LouisvilleWorks.com), a platform for efficiently connecting job seekers with employers that integrates colleges and universities, government, and the Employee Cost Turnover Program to support business labor planning. The vast majority of Dr. Jassal's career has been spent in the private sector with Fortune 100 companies and start-ups representing firms such as Ford Motor Co., Atlantic Richfield Oil Co., International Network Services, Lucent Technologies and Appriss. Currently, Dr. Jassal is an instructor for the International Economic Development Council and holds a Ph.D. from the College of Education at the University of Louisville. Her research focuses on the linkages between higher education and economic development.

### **Cathy Fyock, CSP, SPHR**

Cathy Fyock is the Director of Recruiting for Resources Global Professionals, a professional services firm that places senior-level professionals on project assignments with clients who are experiencing change, transition, or growth. She is also certified as a certified speaking professional and as a senior professional in human resources, and has worked as an Employment Strategist with her own firm, Innovative Management Concepts. For the past 20 years, Cathy has been helping organizations such as the Society for Human Resource Management (SHRM), AARP, Bridgestone-Firestone, Rite-Aid, and HCA on the issues of how to recruit and retain top talent in an aging and changing workforce. She is the past chairman of the Human Resource Certification Institute board, and has served in many volunteer leader roles with the SHRM at the local, state, and national levels. She is the author of five books, including her latest, *The Truth About Hiring The Best*, published by Financial Times Press in 2007.

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