EQUISHARE™
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Technology and Capital Expenditures Have Little Impact on Improving Operating Profits... But People Do. Heresy or Paradigm Shift?

We have had recent Equishare System projects in Michigan, Kansas, Ohio (multiple), Minnesota, Idaho, Pennsylvania, Missouri, Wisconsin and Virginia. These include a service business with 4 locations, distribution and of course manufacturing organizations. They all have one thing in common... they knew there were significant gains to be had in organizational productivity and profits **IF** they could fully engage their employees in the performance of the business **AND** reward them equitably.

In addition, we recently completed two upgrades for long-term clients. Both have utilized our Equishare Strategy since the late 90's. Both have grown exponentially and experienced significant changes in their businesses. Knowing that employee productivity at all levels, from VP's to the shipping dock, continues to be a key competitive and cost advantage in the market, they undertook an upgrade of their formula and employee training. They recognize an investment in maintaining effective, tactical & focused employee engagement is as critical as capital, technology, and process improvement.

A fundamental measure of organizational productivity found within the financial statement is the relationship of total wages and fringe cost (all employees – hourly and salaried) as percentage of manufactured Value Added (sales value minus raw material - similar to margin). You must format and calculate that relationship on a spreadsheet yourself as NO financial statement will identify this ratio in its standard form. That's unfortunate, since it's THE driver of profitability... there is no place to hide.

As an example:

All Wages and Fringes	$ 40 million
Value Added (sales minus quality & raw material)	$100 million
Org Productivity Ratio =	40%

If you have the courage.... calculate the annual productivity ratio for the last five years. Is your Organizational Productivity Ratio getting better (lower) or worse (higher)?

Consider a few interesting questions... Have your capital expenditures cause the ratio to improve? What about new technology or process? In 80% of cases (and I know you will vehemently disagree!) the answers would be that the ratio is either unchanged or getting worse. Capital, technology and process have surprisingly little effect on the ratio and trends. Why?

continued on back

The reason is these improvements are absorbed by the market place in terms of price, quality and other competitive pressures. Capital, technology and process improvements allow you to stay in the game, but rarely find their way to the bottom line. They allow you to keep what you have... maybe. **Test it with your data. As a visualization, put the annual ratio on a timeline and overlay the timing of significant capital expenditures... then hold your breath.**

The good news: there is a way to dramatically improve your organizational productivity ratio AND drive it to the bottom line. If tomorrow you could sell, produce and ship 15% more product without hiring a single person, or working another hour, **GREAT** things would happen to the financial statement. 5% profit goes to 10... 10% goes to 17 or 18. Again, test it with your data. Or send your data to us, and we will run the test for you.

So, what's the secret? This is what happens when employees are radically engaged. We have seen it time and time again. Not "happy, happy, happy" as many engagement efforts seem to have as their goal, but rather **fully engaged employees** in the performance of their business AND equitably sharing in the incremental financial gains, in real time. **You must redefine the term engagement** and incorporate a tactical and compensation component. This is serious business.

Now is the time to be thinking about the new year and beyond. Employee engagement is not whether folks are happy or not. Rather, are they a cohesive, effective, and productive force as measured by key financial metrics and the income statement?

I would encourage you to consider our Equishare Assessment™ as a tool to define and measure the opportunity in your organization. In four to six weeks, we can have comprehensive data on the level of organizational productivity you are currently experiencing, as well as the opportunity for the future... all defined by the financial statements. For a modest investment, you can have serious, focused data on a critical issue having real consequences.