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## Calculating Losses Related to Workplace Behaviour

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Although many Business Owners do not calculate losses based on Workplace Behaviour, they are aware that these impact on the business efficiency. In this document, we will highlight some areas that may be costing you more money than you may have thought possible.

### Productivity

You have set your projected 'charge-out' rate of an employee to perform a specific task, at \$55/hour.

You expect this person to have his/her billable hours to be at least 8 hours/day thus maximising your income/person.

Your company has a total of 100 staff.

With the addition of social media, mobile phones and the usual 'hanging out' to discuss the events of last night, each of these employees, and I am being VERY nice here, 'loses' 12 minutes every day.

Now let's do the math.

12 Minutes/employee/day =  
20Hours/day  
20 Hours x \$55 = **\$1100/day** in lost revenue  
\$1100 x 5 Days = **\$5500/week** in lost revenue  
\$5500 x 52 weeks = **\$286,000/annum** in lost revenue.

Did you say you are struggling with cash-flow?



Your figures may be different and your specific situation, but you can apply this method of calculation to establish your potential losses quickly.

Looking at the losses, it is critical to minimise these by Altering Workplace Behaviour. Create a positive environment and Lead by Example.

Set specific procedures to streamline your operation and remove the classic time wasters from the daily routine.

No need to micro-manage though. You can achieve this by some strategic changes in your business.

The next time you get stressed about cash-flow in your business, think about these changes, OR, ACT NOW!

## Cost of Replacing Key Staff

This may differ from Business to Business pending on the methods you use to when having to fill a vacant position. For this calculation, we will assume you need to go through the usual recruitment channels to find, and secure, the best candidate.

Remember, we are talking about the process to attract the Best candidate for the role. Not just a person that happened to drop in looking for work. This method may have good results, but then again, sometimes not so good. You are now just grabbing the first person you see to merely fill a position. This could turn out to be a costly decision.

On average, the cost to fill a “lower-end salary” position, you could end up paying up to 16% of the annual salary value. So, assume the annual salary is \$50,000, your cost to find a suitable candidate and employ him/her, could be \$8,000.

Now ask yourself on average, how many of these positions do you need to fill/year?

In the case of your more senior roles, this cost rises to 20% of the annual salary. Again, assume the annual salary to be \$120,000. Your cost to fill this position is \$24,000.

Let's assume:

You replace 4 positions/year at the lower end costing you \$32,000

You replace 2 positions at the higher end costing you \$48,000.

This means you spend a total of **\$80,000/year** replacing staff. Would it not be more cost effective to put measures in place to retain your staff?



Now I have heard many arguments on this topic ranging from “it is good to get new blood in” to “they won’t leave as there is nowhere else to go in our region”.

Start with the first statement:

When you have a need to bring in the “new blood”, it should be because you have either expanded your business, or you have created a new position. If therefore you need to hire a new person, it is great because that means your business is stable and you are experiencing growth.

If it is because your employees are jumping ship to find better alternatives, you should establish the reasons and address them. The argument does to hold water! Every staff member that leaves you takes with them skills and knowledge that you need in your business. If there is a need for new skills, train them!

The Second Argument:

If this is the general view of your employees, your business may very well be losing more than what you have ever imagined. Now I am not just talking about financial losses anymore either. You will be losing the value of a highly-engaged team that makes constant contributions to your business.

Going that extra mile for you and coming up with creative ideas to improve your business and efficiency. These will be out the window. They view their role as a means to an end only and will do what they must to stay there until an opportunity becomes available. Not a happy workplace at all.

Never underestimate the damage your business could suffer when employees become disengaged. It is not only the contribution or creativity that suffers, but also what the general perception of your business becomes. People talk, and at times, their actions and behaviour speaks louder than words. This is what you clients see, and this is the message being spread about your business.

Now you are being faced with employees that stay, but clients that seek alternatives. Still believe it is good they have nowhere else to go?

Ask yourself this: If it is going to cost your business \$80,000/year to replace staff, what would it have cost you to make sure they don’t want to leave? Maybe a quarter of it, or even half?

## Losing Your Clients

You work hard and feel the pressure of attracting new clients to your business only to lose existing clients on a regular basis. Now the pressure mounts as you must find even more new clients. This is a vicious cycle that you get trapped in and the pressure is relentless. You continue to switch from 'hunting' to 'damage control' to try and build your client base.

Time to take a deep breath and look at the reasons.

Generally, a client will only leave if he/she has had a bad experience with your business, or they think they can obtain the same product/service at a better price.

At this point we will not go into the reasons and methods you need to put in place to prevent this. That is a topic that needs further discussion and you are more than welcome to contact me to see how we can remedy this situation for you. All we are going to focus on is the hidden cost of losing a client.

You performed work for a client and the total value of the work was \$10,000. There were some issues and the client walks away unhappy vowing to never use your company again. The work was done and you got paid for it. So, where is the loss?

This one client may have spent another \$30,000 with your business over the next 5 years. Well, that's not too much of a loss you think? The problem is that this bad experience has gone to another 5 possible clients that have decided to go elsewhere based on what they have heard. How much were they going to spend?

Not easy to quantify, but if each of them would have spent the same amount, \$10,000, you have just lost an instant \$50,000. The worst is to come yet! They have a good experience with your competitor and start spreading the word. Now you are starting to find it hard to attract new clients and need to look outside your normal area. That one client you lost could result in your business losing up to a staggering \$100,000 in no time.

Therefore, it is essential to retain your clients and get positive feedback from them. Who knows when there is a \$500,000 project coming from them? Surely you don't want to miss that opportunity!

## Absenteeism

Everybody can get sick or have a critical issue that forces them to take time off work. It is normal and it can't be avoided. The best thing you can do is to support your employees when this happens. Make sure they understand you are there if they need help.

When it does become an issue though is when it becomes a habit. Employees start treating their entitlement to sick or carers leave as something they must use. If they are entitled to 10 days per year, you can bet your bottom dollar they will use all of it every year.

In this case I will let you do the math on your own. Things you want to consider is the cost to company of the employee, the time you spend on having to adjust schedules and the resulting loss in productivity. When you look at this productivity loss, it is no longer just for this employee. You may have had to shift additional work to his/her colleagues for critical work that could not be rescheduled.

Now you have their work falling behind and you need to find ways to address that. This snowball just keeps on getting bigger.

Now consider the impact this has on other employees. They see this happening regularly and nothing seems to be done about it. Not long before someone else starts doing the same. Before you know it, you have a culture in your workplace that makes it acceptable to use this entitlement as you would annual leave.

How does this affect your clients? They started getting to know the team you have performing their work and are quite happy with their productivity and quality. Now it is Monday and there is a new face on site. They ask questions and get told not to worry, that person is always 'sick' on a Monday but will be back tomorrow. Now this is really going to give this client a lot of confidence in your business, right?

See how quick this behaviour will spread to your business losing more than just the salary of the person? It is those hidden losses that we don't see immediately that could really hurt a business.

## Wrapping Up

It is not hard for a business to rapidly lose money without noticing it. But when it comes to looking at your balance sheet, you struggle to understand what the problem is. You generate a lot of work, yet your margins are below what they should be.

Even though I have based the calculations on a medium to large company, the losses are present even in a small business. The figures may change, but the impact is the same. Business is competitive and you need to remain profitable.

At times the pressure on the business owners and managers get to a point where you are totally consumed by the problems you face and it starts affecting your personal life.

If this is where you see yourself heading to, it is time to get help! Don't try to do it on your own. You must work on your business and keep growing and attracting clients. If you start spending 20% of your time trying to put remedial measures in place, who is looking after your role?

The good news is that by altering workplace behaviour, you can turn these issues into positives. Get your employees to share your passion for the business, to be creative and spread good things about your business. Not just by what they are telling people, but also by the quality of their work and positive attitude in general. Your clients will love this and give your business raving reviews.

Not sure where to start?

Contact PCE Training to discuss your problems and let us work out the best approach for your business today!

To Your Success

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