

Return On Investment From Human Resources Initiatives and Expertise

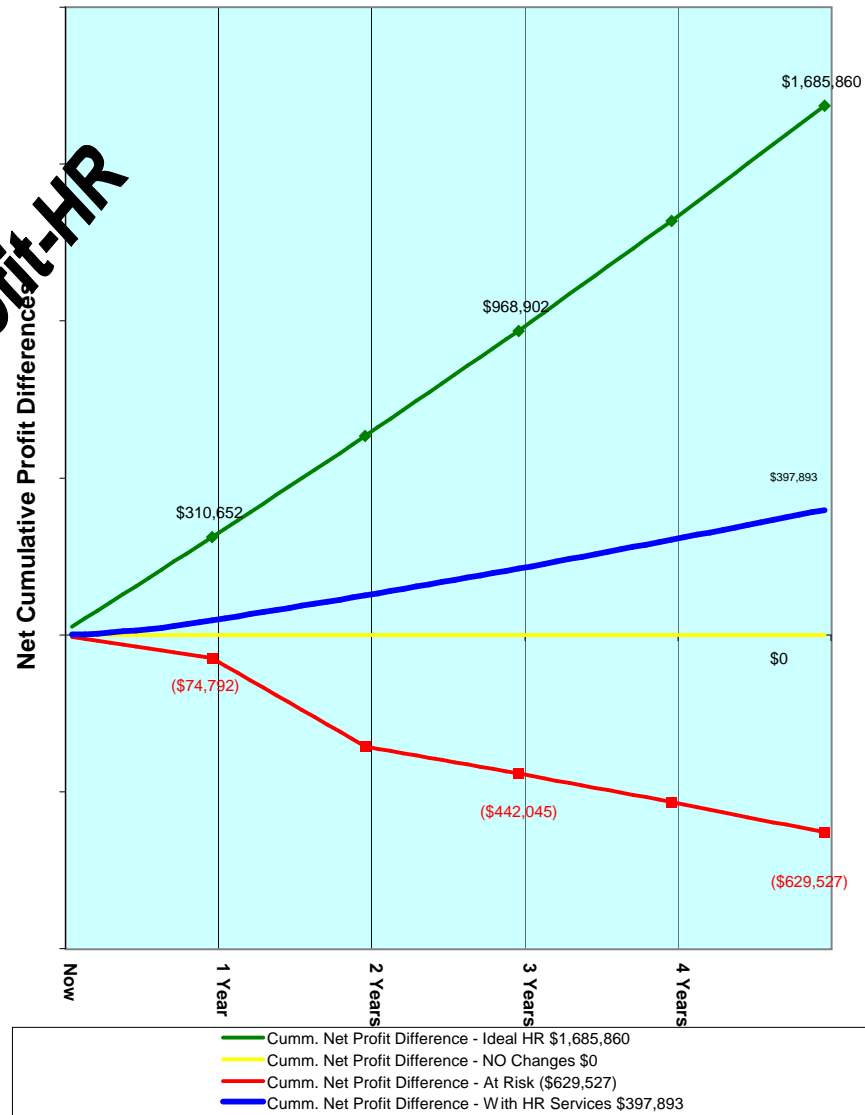
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Future Value of HR Initiatives - Illustration of Theoretical Cumulative Impact on Profits

PROSPECTIVE CLIENT COMPANY INFO:	NOW	IDEAL	AT-RISK	With HR Services
Total Company Revenue: (\$166,667/employee)	\$5,000,000			
Net Pre-Tax Profit Percentage (EBITDA):	8.0%			
Net Profit Dollars: (Avg. Profit/Employee = \$13,333)	\$400,000			
Total Number of Employees:	30			
Gross Wages: (Avg. = \$30,000 per Employee)	\$900,000			
THE BEST HR FIRM SERVICES - 1st YEAR EFFECTIVE INCREMENTAL INVESTMENT or (SAVINGS):				
HR Fee / Employee / Week for Services:				\$0.00
Fee Offsets (-): HR Administration (Hard dollars only, unless replacing a pe				\$0.00
Fee Offsets (-): Employee Benefits				\$0.00
Fee Offsets (-): Workers Compensation				\$0.00
Fee Offsets (-): Employer Taxes				\$0.00
Incremental Investment/EE/Wk (Equiv FTE @ \$0.00)				\$0.00
PRO-ACTIVE HR INITIATIVES and VALUE OF SAVED TIME:				
Employee Productivity (select cell to explain)	70%	100%	63%	72%
Starting Improvement Month				4
Administrative HR Time per Year	500	0	700	125
Administrative Earning Power Multiple (\$2,667 of Profits)	0.2	0.2	0.2	0
Freed up Admin Time "Leveraged" to Owner/Execs?		Yes		\$
Owner/Executive HR Time per Year	50	0	150	12.5
Owner/Exec Earning Power Multiple (\$133,333 of Profits)	10	10	10	20
Starting Improvement Month for Reallocated Time				3
TURNOVER and STATE UNEMPLOYMENT:				
Turnover Percent:	30%	0%	21%	21%
Turnover Number:	9	0	6.3	6.3
Cost of Turnover (per employee @ 19% of Avg Wage & Bene	\$8,220	\$8,220	\$8,220	\$6,987
Targeted Turnover Reduction (%):				30%
Targeted Improvement Month:		1	1	9
State Unemployment Rate	3.00%	0.50%	4.00%	3.00%
Work State (for Unemployment Wage Base)	MD			
Targeted Drop per Year in Actual Rate, Years 2 thru 4				0.30%
BENEFITS COST CONTAINMENT:				
Health Insurance - Annual Premium:	\$108,000	\$108,000	\$108,000	\$108,000
Employer Portion (%):	80%			
Employer Portion (\$):	\$86,400			
Employee Portion (\$):	\$21,600			
Assumed Annual Rate Increase:	11.0%	0%	14.0%	9.4%
Months Until Renewal	12	12	12	12
125 POP Plan now?	No	Yes	No	No
125 Depn and Flex Plans Now?	No	Yes	No	No
Targeted Reduction (%) in Medical Increase with HR Initiatives:				15.0%
SAFETY INITIATIVES (Impact on Cost of Workers Compensation Insurance):				
Average Manual Workers Comp Premium (%):	3.50%	3.50%	3.50%	3.50%
Average Manual Workers Comp Premium (\$):	\$31,500	\$31,500	\$31,500	\$31,500
Experience Modifier:	1.10	0.80	1.21	1.10
Workers Comp - Total Annual Premium:	\$34,650	\$25,200	\$38,115	\$34,650
Targeted Drop in E-Mod per Year: (3 equal drops after Year 1)				0.10
ASSET PROTECTION (Compliance, Business Property, Employee Lawsuits):				
Annual Direct Costs (Legal, Compliance, Settlements)	\$10,000	\$0	\$10,000	\$5,000
Year of Significant Employee Lawsuit / Claim / Theft	? Unknown ?			2
Additional Settlement and Legal Costs of Employee Lawsuit / Claim / Theft			\$200,000	

5 Year Illustration Difference in Cumulative Net Profit



Assumptions and Important Notes:

- Estimates are based on current "snapshot" of Prospective Client business, and only model changes in Human Resource initiatives. Actual numbers will be different, and will be impacted by numerous other business factors.
- Pro-forma estimates are for illustrative purposes only - showing the potential impact of HR factors and services - and do not constitute nor imply any contract of performance.
- Employee Productivity metric, as referenced above, equals estimated Net Profits divided by total number of **worked** employees hours.
- Estimated 'Cost of Employee Turnover' should include Employee Productivity impact/loss, as well as direct and wage costs in Pre-Separation, Termination, Recruiting, Hiring, Training, etc.
- Unless specifically noted otherwise, Net Profit differences are assumed to be based on changes in Gross Revenue, not on significant changes to Gross Profit Percentage, which is outside the scope of this model.

Profit Differences From "At-Risk" versus "Ideal" HR 5 Year Impact

