

Leveraging Human Resources

There are a number of issues owners can address, but space limitations here require that we discuss only a few. For a more complete description of all aspects of Value Drivers, please contact me.

When we look at all the ways owners can improve the productivity, efficiency and quality of their employees to build business value, we primarily look at:

- Reorganizing the company so there's a connection between reporting responsibilities/duties and revenue generation;
- Creating employee scripts;
- Implementing new employee training systems;
- Connecting employee activity and company success; and ultimately
- Transferring responsibility to employees.

Let's look at three critical activities on this list.

Connect Responsibilities to Revenue Generation

Conceptually, most owners understand that all activities, responsibilities, functions and plans for the company should contribute, either directly or indirectly, to the generation of revenue. In practice, however, owners often organize their businesses on a seniority model: lower-level employees perform simpler tasks and more senior employees perform more complex and critical tasks.

So, for some owners we may suggest that it makes sense to map all activities that the company and its employees undertake that ultimately lead to revenue, and then work backwards from the revenue through the map to see if we can identify places where we can increase efficiency. The owner can then decide whether increasing efficiency involves eliminating redundant jobs or positions, combining activities to make them more powerful in their impact on revenue, and/or expanding activities that typically have a significant positive impact on revenue. If an activity is good for revenue, we will ask, "Why?" and may want to do more of it. If an activity is not good for revenue, either directly or indirectly, we may want to do less of it.



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Connect Employee Activity to Company Success

Few owners can give a convincing “Yes!” to the question, “Have you regularly and directly communicated to each of your employees his or her role in the success of your company?” When employees don’t understand their specific purpose, they are easily frustrated, often lack motivation and are not terribly efficient in their activities. From a value perspective, that’s bad enough, but if your employees don’t understand how they contribute to your company’s success, how can you illustrate that connection to a future buyer of your company?

Transfer Responsibility to Employees

The purpose of creating a value-building plan is to create the business value you need to live the post-exit life you desire. If you are your business, there is little likelihood that any buyer will find your company at all valuable. It is one of the most counter-intuitive maxims of business value: in the most valuable businesses, the owner is not critical to its ongoing success. Put yourself in a buyer’s shoes: would you purchase a company if all the knowledge, skills, and relationships were held only by the owner?

Many owners hold onto the critical marketing and sales activities because they worry that employees who take over important tasks will fail. Yes, it is difficult to find and hire the right employees who will successfully locate, attract and generate sales from your target market. But we know that your ability to train, teach and trust your marketing and sales staff is critical to building value in your company. You simply cannot carry this burden alone. Your experience and skills generate much more value when you are the mentor or counselor for a staff of employees.

If we can answer any questions you may have about the many ways you can leverage your company’s human resources to increase business value, please give us a call.

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