

The 8 Cents Savings Plan

By Garrett J. Sullivan



The National Center for Employee Ownership surveys continuously reveal that at any given time 8 percent of a company's profit is falling through the cracks of the business and is lost forever. This is an amazing amount of money given the average contractor in the United States is only making 3.5 percent after tax profit.

The first way to start gathering up some of the falling 8 percent profit is to educate your employees on what exactly profit is and what the value of saving a dollar means to the company.

I call it the 8 Cents Savings Plan.

As the CEO, it is imperative for you to provide basic financial training to all your employees on a regular basis. They need to understand without profit, the company does not exist. When profit does occur, and is reinvested back into the business, that is how the business grows. You would be surprised at how many employees do not understand this very basic economic concept. Further, they need to be shown that for every dollar that comes through the front door, only 3.5 cents falls to the bottom line as after tax profit. This will help them understand that when they help save the company a dollar, it will fall directly to the bottom line and everyone gains.

Why would they care about saving the company money? Because you as the CEO have taught them that reinvested profit is how the company can buy new trucks, cars, laptops, pay for health insurance, vacations, Christmas parties, etc. They need to understand the correlation between profit and financial strength.

The number of ways to save is endless. Here is a short list of internal company savings ideas:

Timesheet Management

Be sure your foremen have a clear understanding of the company policy on how to account for late arrivals and early departures of field employees on the time sheets. Do they round up or down to the near 10, 15, 30 minutes or hour when a person arrives late or leaves early? When was the last time you saw someone noted on a timesheet as arriving 10 minutes late to the jobsite? You would be astonished at the timesheet variations within small and large companies. Insist that timesheets be completed daily and if individual employees complete them, have your foreman sign off on them each day.

Health Insurance

Many employers still pay the full cost of a family plan for their employees. This cost is projected to rise over the next several years. Analyze the cost of a single pay and have the employees pay the difference. Many employees have double coverage and will elect not to take the extra spousal coverage when forced to pay.

Sick and Vacation Days

Many companies still have liberal sick day and vacation policies. Combine the two into one Personal Time Off (PTO) category. It will make it easier on employees as they no longer have to come up with "sick day" excuses and will probably reduce the overall number of days previously granted.

Payroll Direct Deposit and Electronic pay Stubs

Once payroll is completed and exported, there is no more work to be done. Virtually everyone has an email address today to email paystubs. It saves time by not having to distribute checks and employees don't have to rush to the bank.

Shred-in Boxes

The cost of this monthly service has come down considerably and permits for better handling of sensitive documents and most shred companies will shred the documents at your site.

Move from Postage Meter to Stamps.com

If you are still using a postage meter, you are paying too much. A Stamps.com online accounts costs about \$20 a month and allows you to buy stamps as well as supplies on account. This will connect the poster meter to your computer to print directly to cards, letters and envelopes or print a whole sheet of stamps.

There are many more ways to save your 8 cents, such as eliminating drinks and bottled water to employees, simplifying billing procedures and providing employees with charge cards from one big-box store such as Home Depot or Lowes to save your accounting department time in reviewing and paying for material invoices.

While these savings may be small in dollar value, this is where the 8 Cents Savings culture begins and the profits start to increase. After this becomes the norm, you can begin to tackle the big savings such as field labor costs, material delivery efficiencies and preplanning each day to eliminate waiting on instructions by the tradesman.

Remember when you were a child watching your piggy bank savings grow larger each year? Why not make today the day you start again with an expanded 8 Cents Savings Plan to help your company's profit grow larger each year? **BI**

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