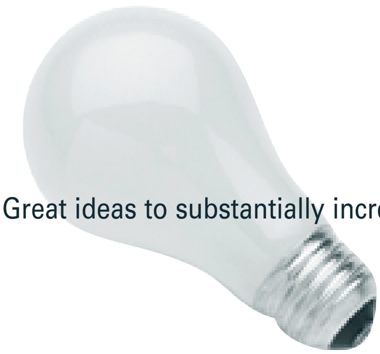
Profit Enhancement *Report*



Great ideas to substantially increase profits.

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In this issue

100 WAYS™
the profit enhancement process

Stop Thief!

Don't Let Employee Theft Sink Your Bottom Line

Employee theft can range from taking home a box of paper clips to smuggling highly sensitive business strategies to competitors. No matter the crime's severity, employee theft may be draining your company's profits, and it's more prevalent than you might think. Statistics show between $60 billion and $120 billion are stolen from U.S. companies annually. But you can fight back. Let's take a look at how to protect your business from employee theft.

Create Deterrents

Start by communicating company values to your staff. Publish a code of ethics and encourage your employees to subscribe to the values of fairness, honesty and integrity. Let them know what constitutes theft and its consequences if they are caught.

Next, closely review your internal controls. Have you updated them to reflect any business systems changes? You'd be surprised how many companies neglect to examine their internal controls until a serious problem arises. One simple step is to segregate duties. If you have one employee opening mail, making bank deposits and entering cash entries in the journal, you have a weak link in your internal control system. A better system would require one employee to open the mail, another to enter receivables, a third to enter receipts in the cash journals and still another to deposit the money.

Finally, make sure every employee who handles inventory or money is bonded. And no matter what system you have in place, don't underestimate the possibility that some of your employees are more creative and devious than you may believe.

KEEP YOUR EYES OPEN

Be on the lookout for questionable behavior among your employees. Here's one surprising clue: Workers who rarely take a day off might be involved in illegal activity, because they're afraid they'll be discovered if someone fills in for them. If you have any doubts that employee theft is possible, we can be of assistance with establishing an internal control system that can limit such harmful behavior.

Take a Bite Out of Crime

When considering employee theft, be careful but not overly suspicious. If you treat your employees with respect and offer them competitive wages and opportunities for advancement, they will generally not want to do anything to hurt the company. But don't be too trusting; employee theft does happen, and when it does, your profitability suffers. Please give our profit advisors a call to ensure you're doing everything you can to deter potential thieves. ■

Make Performance Evaluations Easier for You and Your Staff

Managers may view employee performance evaluations as a bothersome chore. After all, compiling all the data for each worker can be time-consuming — especially for those who supervise many employees. And if companies perform evaluations near (or on) each worker's anniversary, it can seem like a never-ending process. As a result, managers may take shortcuts when completing evaluations and overlook employees' critical strengths, weaknesses and accomplishments.

An Alternative Approach

A less time-consuming approach is to conduct performance evaluations at the same time every year — such as near your company's fiscal year end. When you use this approach, the process becomes an annual, high-priority project rather than a task you squeeze into a long list of duties. In addition, you can schedule research and preparation time, just as you'd do with other important projects. Here are other advantages to this approach:

Department budgets can be better managed. Because you'll be implementing pay raises at the same time for all employees each year, you can adjust your budget planning accordingly.

The entire year's performances are reviewed. With sufficient time to assess all your subordinates at once, you'll be more likely to consider an entire year's performance rather than be swayed by recent events.

Equal consideration is given to all employees. By budgeting extra time for preparation, you can better evaluate all employees equally rather than just the problem performers or stars.

HOW DO YOU RATE?

Managers and employees often dread annual performance reviews because of the rating system companies use. The process may cause high school flashbacks: What grade will the teacher give me for this class?

During the performance review, a bad or disappointing rating can put the employee on the spot and cause the manager discomfort by having to deliver the bad news. This dilutes the real purpose of the evaluation: coaching, discussion and feedback.

Downplay ratings by using a simpler system that states whether an employee meets or doesn't meet expectations, followed by an explanation. If you use numerical ratings or another complex method, consider dropping it entirely.

Evaluate Your Evaluation Process

Make no mistake, evaluating your employees at the same time annually is labor-intensive. But by leaving enough time to properly prepare for the reviews, you may wind up with more thorough and useful evaluations, a motivated work force, and increased profits. To learn more about conducting employee performance reviews, please give our profit advisors a call. ■

DO WE HAVE A FAILURE TO COMMUNICATE?

In sports, poor communication among players often results in a losing effort. In business, if key departments such as purchasing and accounting don't share information, it can lead to overpayments and, ultimately, lost profits.

Unless your procurement agents are clearly and regularly talking to those who pay your bills, any number of procedures can fall through the cracks. To ensure you and your employees are doing everything possible to avoid overpayments, take this quick quiz. If you answer "no" to any of these questions, start making changes today.

Yes No

❑ ❑ Does your purchasing department keep accounts payable informed of correct prices, quoted discounts and freight charges?

❑ ❑ Does your accounts payable department compare that information against invoices before cutting checks?

❑ ❑ Do your employees update the database to reflect all the new information, as well as last-minute changes?

❑ ❑ Does someone in each department review the database regularly?

❑ ❑ As a backstop, do you audit your completed transactions periodically for overpayments?

Loyal Customers = Profitable Customers

Whatever is important to your customers should be important to you. Focus your business processes and strategies on learning their needs. Here are two ways to do so:

1. **Create a customer feedback and loyalty assessment (CFLA).** This is a customized assessment process that provides accurate, in-depth information on your customers' expectations. Ask your customers to identify their expectations of your company and document their responses. Use the results to base your customer service improvements on.

2. **Develop a list of FAQs — and the answers.** Ask your sales staff to document customers' 25 most frequently asked questions. After compiling them, have your managers provide thorough answers. Then train your staff to answer the questions uniformly and confidently. A well-trained, highly knowledgeable sales staff can earn your company a reputation as an industry expert. ■

Profit Success Stories

A **publishing company** initiated a training program for new and existing employees. The company focused the program on better understanding issues affecting their own business and their customers' businesses.

Specifically, the training program:

- Familiarized employees with the company's Web site content,
- Explained credit and collection policies and procedures,
- Provided a history of the company and the industry,
- Offered an opportunity to talk to other department heads to better understand various issues and opportunities within these departments, and
- Introduced alternative revenue sources.

Estimated Profit Potential: $125,000

A **freight forwarding company** reduced staff turnover from 67% to 32% by making supervisors responsible for selecting, managing and motivating their staffs. It started by adjusting its review process to focus a portion of each supervisor's evaluation on the successes and failures of the employees they're responsible for. Then the company offered incentives for supervisors whose employees showed significant progress. If, on the other hand, their employees' performances were less than satisfactory or there was excessive staff turnover, consequences — such as demotions — resulted.

Estimated Profit Potential: $165,000

A **computer component supplier** prided itself on providing same-day shipments to customers, but the policy began to cause operational problems because of excessive demands at day's end. Filling the late orders required overtime, and company vehicles had to make late night trips to UPS. Even though customers paid for the next day freight, the thin margins on the company's product weren't covering the additional costs. To solve the problem, the company implemented a service charge on all orders requiring next day delivery that were called in after 2 p.m. This penalty got customers' attention, and within a month most customers phoned in orders earlier in the day.

Estimated Profit Potential: $35,000

An **auto dealer** had considered hiring additional mechanics for its busy service department, but found that mechanics often waited for parts at the parts counter instead of working on cars. The solution was to hire part-time, unskilled labor to wait at the parts counter and then deliver the parts to mechanics. The more highly paid mechanics could then increase their productivity, and the dealer could service more vehicles in a day and boost revenue at a minimal cost.

Estimated Profit Potential: $290,000

A **roofing company** frequently overestimated materials needed for jobs, throwing out the excess with the scraps at job's end. To eliminate this wasteful practice, the company made one person on each crew responsible for collecting extra materials and loading them onto a truck for shipment back to the warehouse.

Estimated Profit Potential: $100,000

18 WAYS TO SURVIVE A SOFT ECONOMY: FINANCIAL MATTERS

Is the recession over? Some experts suggest it's *not*. With a soft economy and an unsteady stock market, it's still vital to review all areas of your business and uncover hidden profit opportunities. If, after completing this checklist, you find many of its suggestions need action, please give us a call. Our profit advisors can help you devise a plan to navigate through uncertain economic times.

1. Focus on decreasing costs while increasing sales.	❑ Needs action	❑ Action not needed	❑ N/A
2. Stretch budgets to enhance financial performance.	❑ Needs action	❑ Action not needed	❑ N/A
3. Negotiate special payment terms to stretch cash flow.	❑ Needs action	❑ Action not needed	❑ N/A
4. Review spending for publications and membership dues.	❑ Needs action	❑ Action not needed	❑ N/A
5. Develop, understand and monitor key operating statistics.	❑ Needs action	❑ Action not needed	❑ N/A
6. Measure the effectiveness of key business areas.	❑ Needs action	❑ Action not needed	❑ N/A
7. Keep your banker informed of the company's financial status.	❑ Needs action	❑ Action not needed	❑ N/A
8. Ask your insurance agent about how to best control insurance premiums.	❑ Needs action	❑ Action not needed	❑ N/A
9. Tap outside investors for capital.	❑ Needs action	❑ Action not needed	❑ N/A
10. Review leases to control costs.	❑ Needs action	❑ Action not needed	❑ N/A
11. Schedule a year end tax planning session with a professional to take advantage of tax saving opportunities.	❑ Needs action	❑ Action not needed	❑ N/A
12. Evaluate the cost/benefit viability of major expenditures.	❑ Needs action	❑ Action not needed	❑ N/A
13. Cash in on interest-bearing sweep accounts.	❑ Needs action	❑ Action not needed	❑ N/A
14. Create a smart asset investment plan to determine what to do with extra cash.	❑ Needs action	❑ Action not needed	❑ N/A
15. Use a monthly cash flow analysis to forecast financing needs.	❑ Needs action	❑ Action not needed	❑ N/A
16. Refinance debt to trim interest costs.	❑ Needs action	❑ Action not needed	❑ N/A
17. Discuss with legal counsel how to shield personal assets from creditors.	❑ Needs action	❑ Action not needed	❑ N/A
18. Analyze pricing structures.	❑ Needs action	❑ Action not needed	❑ N/A

See other side for more ways to enhance your profits ...