



## Memorandum

To: Clients, Associates & Friends of Pro@ctive CPA  
From: Mark Wyssbrod, Managing Member  
Date: June 1, 2011  
Re: Retaining Talent

### Introduction

The Spring is in full bloom and small business is (generally speaking) beginning to see some growth. Do challenges persist? Yes! There is some minor increase in competition, but not enough to interfere with broad revenue growth. However, there is still enough competition not to be able to strengthen margins at this time. The growth is causing some comfort, perhaps too much comfort, for small business owners. Instead of preparing for the next set of challenges a lassie fair attitude of "that was close, but we made it" seems to be becoming consensus which will lead small businesses to continue to react to future challenges instead of preparing for them.

One such challenge, in my opinion, will be retaining key employees. I know your focus is on making your next payroll, so why worry about retaining employees when you can barely pay them? Well, it's because over the next two years this boring economy is set to expand. As it expands the unemployment rate will begin to fall from its current 9% to 7%. The battle for talent will begin. Unfortunately, small business isn't well positioned financially and large corporations have lots of cash. As the economy improves large corporations have the funds to attract and retain qualified employees. Additionally, most employees seem to be miserable at their current employer, but they do not have the confidence to change jobs for fear the new job will be worse or they will be the first to be cut. Over the next two years as the economy improves I believe the employee's confidence will improve and the likelihood of finding a new employer will dramatically increase. Bottom line: find and retain good talent today!

Best of luck,

Mark W.

### Employee Retention

How can you make your business more productive? Hire and retain the right employees and create a good working environment. Although money is important to employees other items are also factors. Team members want to feel they have a say or are being listened to, invested in their education and career, flexible working schedule and dress code and respected.

- Improve environment



- Improve communications with team members
  - Provide rewards for extra efforts
  - Provide plants, artwork and other relaxing and inspiring pieces
  - Find out what is important to employees
- Increase investment in Employees
  - Provide leadership rolls and training
  - Provide coaching and to understand their personality and other team member personalities (DISC assessment)
  - Provide opportunity for employees to go to industry classes
- Have compensation package motivate Employees
  - Review and adjust compensation to motivate employees to work for a bonus instead of for a pay check
  - Does the compensation package include rewards for having a good attitude or working late to get client projects completed
- Fire Bad Employees, Hire Better Fits!
  - An employee with a poor attitude can demoralize your team
    - Bad attitudes can be contagious
    - Clients do not enjoy working with companies with poor attitudes
  - Replacing a poor performing employee can have dramatic improvements with your employees' moral, environment and customer appreciation.

### **Black Swan Events**

5/23/2011 – The deadliest tornado in the US strikes: 126+dead in Joplin, Missouri

### **Financial Ratio of the Month - Inventory Days**

The Inventory Days (ID) is a measurement of the amount of inventory in days you have on hand. If you are a business that works with inventory, this will be an important ratio for you to follow. The ID equals

$$(\text{Inventory}/\text{Cost of Goods Sold}) \times 365$$

Generally speaking the lower the ratio the better (i.e. you are managing inventory effectively). However, too low of a ratio could indicate you do not have enough product on hand to meet demand.

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.