

Soft Costs Can Waste Hard Dollars

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As an established leader in the consulting community, Diversified Human Resources was invited to participate in Expert Insight, a nationwide educational series for managers of growing companies. **"Soft Costs Can Waste Hard Dollars"** is the final of three insertions appearing in Inc. Magazine throughout the year.

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In times of economic uncertainty, business efficiency is critical. When times are good, it is easy to focus on big revenue streams. As business slows and the future becomes less certain, it is prudent to look closely at efficiency. One key is measuring where and how internal staff spends their time. Are their efforts focused on issues that impact the bottom line or is much of their time spent stirring papers?

The "business of being in business" is time consuming and expensive. Efficient companies measure this internal cost. These "soft costs" are often mind numbing essentials that have nothing to do with profit. A large percentage of soft costs are related to Human Resource Administration issues like payroll, unemployment insurance, payroll tax preparation, workers' compensation insurance and employee benefits. These are all key components of a successful company. None produce revenue but they chew up valuable internal time and resources. Establishing and maintaining an edge in this area can be a tremendous competitive advantage.

Maximize success by measuring internal soft costs and then outsourcing wherever possible. Exactly how much time does it take to conduct the business of being in business? What is the pay rate of those who handle these functions? What is the opportunity cost of this time and money? How much of this can be outsourced? How much expertise will be gained? How much more revenue or profitability can be produced by

using the internal time to focus on profitability? The answers are astonishing. The U.S. Small Business Administration says small business owners spend between 7% and 25% of their time on employee related paperwork.



Diversified Human Resources is one of the largest PEOs in the Southwestern United States. DHR is headquartered in Scottsdale, Arizona. The firm specializes in making their client companies better by handling the non-core functions of payroll, workers' compensation and benefits.

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Many smart company leaders have implemented outsourcing solutions. This does two things that make perfect sense. First, it allows internal resources to focus on profitability. In addition, it usually provides access to greater expertise. When outsourcing to a Professional Employer Organization (PEO), a business consolidates many functions to one company instead of several. This creates even more efficiencies.

Outsourcing is painless and once a company does it they rarely want it back. If you are not outsourcing today, why not and when do you plan to create the efficiencies? The competitive edge that outsourcing provides can have a significant impact on your business success and your bottom line. Remember, soft costs can waste hard dollars.