

# Do The Math!



## BoBo the Flying Dog

By Jay Goltz

I just had one of my employees walk in with her dog, which she had to bring in today. It's got a cast on one of its legs, and half its body is shaved. I looked down at the dog, and then I looked up at her, waiting for "the story."

Apparently, the nine-month-old dog was looking out the window, barking. The dog saw someone she knew and jumped out the window. It was three stories down—did I mention that? My employee noticed that the barking had stopped and went into the living room to see what was up. The dog wasn't there, but the window was open so she looked down. To her horror, the dog was in the yard, writhing in pain. It was nine at night, and she had to take the dog to a special 24-hour clinic. She put a deposit of \$2,500 just for the dog to be seen and get an analysis. After the initial trauma care, she was sent to an orthopedic veterinarian. That vet could put the dog back together, probably as good as new, but the entire bill was going to be \$7,000.

The employee loves her BoBo, and she already had \$2,500 invested. Should she just pay the \$4,500 balance? She made a decision that since the dog is young, she could have many years of joy from the dog and would keep the windows closed from now on or at least get a screen. One of her friends said that she was crazy and shouldn't spend more than \$400 on a dog. Being a former dog owner, I thought that was low. Being inquisitive, I asked others how much they would spend to fix their dogs. Most people were in the \$2,000 range.

At the very same time, I'm writing an article on employees and how much you should invest in them before you get a new one. This might be a stretch, but welcome to my brain. I can only think about so many things at one time. So, after you ponder on how much you would spend on your dog (no judgments from me), I ask you how much time and money would you invest on employees who do not get their output up to what you expect.

Let's do the math:

Say you have an employee who makes \$25,000 a year and only works at 85 percent of what you think that worker's output should be. Is it worth the expense of replacing that employee? It's costing you \$25,000 times 15 percent inefficiency or \$3,750, plus other payroll expenses like health insurance, vacation time, etc. That is easily another 30 percent. So it's costing you almost \$5,000 a year in output inefficiencies. You could replace the person. What are the costs in that, with hiring, training, and getting a new employee up to speed?

### REPLACEMENT COST

<b>Ads and interviewing time</b>	\$1,000
<b>Training time</b> (20 hours of someone else's time invested in training)	\$300
<b>Three-month "learning curve" at an average of half-speed</b> (\$6,000/2)	\$3,000
<b>Cost of unemployment for the person you had to fire</b> (depends on state)	\$2,000
<b>Total</b>	\$6,300

The conclusion? It will probably take a year to make back the difference on the new person. Is it worth it? That depends on whether you think the new person will last long term. It also depends on the inefficient employee in question. In some cases the performance is not off by 15 percent; it's more like 30 percent. So you have to do the math with your own particular factors before you know the answer for you.

As for the dog, there is no math. It's about love. And what you can afford. Sometimes love is expensive. Inefficiency, though, is just an ongoing expense. ■

*Jay Goltz owns Artists' Frame Service in Chicago, which employs over 80 people at its main framing operation. He has received many business honors and is known for his straight talk on succeeding in business.*