

## *Financial training For non financial staff*



*The financial training specialists*

### **Getting your own way (Budgeting, Profit)**

How often do we have a good idea, only to have it brushed off by the directors as too expensive?

Yes, we know it will cost money, but we also know that it will increase staff morale. Can't the directors see beyond the cost?

Well, not always, because we don't always help them to.

Every good idea does come at a price, and that cost comes off the business's bottom line. And the cost is very easy to measure.

So if we want to get our ideas accepted, we need to also evaluate the financial benefit.

Let's say our idea will increase staff morale, and will cost £25,000pa. That's £25,000 less profit.

So what impact will the increase in staff morale have on our 1,000 people business?

Suppose it reduces staff turnover by a tenth. Average UK staff turnover is 15%, so that's 150 people every year. Reduce it by 1/10, and that's 15 fewer people leaving.

The average UK salary is £30,400; or £35,500 including employer's NI and pension contributions. The average UK cost per hire is £3,000, plus 27.5 days (at an average cost of £160/day). That's £7,500 for each hire.

So if we reduce staff turnover by 15 people and save £7,500 a pop, that's £112,500 saved every year.

Instead of asking the directors for £25,000, we can tell them about our idea to increase profit by £87,500. They're far more likely to be receptive!

Understanding the financial benefit of our ideas can be very powerful indeed!