
How Technology Can Increase Your Revenue Per Employee

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A commonly used measure of management efficiency is revenue per employee. Though this metric varies widely from industry to industry and company to company it nonetheless provides an interesting view into how well a company is run. It can show for example how you're doing against your competition while providing a simple long-term tracking metric for both public and private companies. The best run companies have high revenue per employee figures. What about yours?

Here's a look at a few sample statistics compiled using MSN's MoneyCentral (<http://moneycentral.msn.com>) to give you an idea of what revenue per employee numbers can look like. Notice that industry leaders have higher values.

What can cause such a wide variation within an industry? Operational efficiency and productivity are major factors. The number of outsourced business functions also has a big impact. But here are ways of getting your revenue per employee number higher using technology. Here are a few hints:

Think Electronically

Don't use your instincts! Human instinct has evolved over many millennia without the benefit of computers and software. Your instinct will always be to do the job manually. You need to actively seek out electronic means of getting the job done.

I recently had the unpleasant experience of dealing with a local hospital when a family member became very ill. Three doctors were involved and multiple tests had to be done. On five separate occasions spread over three weeks, I was asked repeat questions about the patient's medical history and diagnosis. Each time, the information was typed into a software application. Five interviews. Five data acquisitions. Five opportunities to generate errors. Hours of wasted time.

Think this is an isolated incident? Think it's unique to the medical services business?

Industry	Company	Revenue per Employee
Application Software		(in '000s)
	Commerce One	86
	J.D. Edwards	179
	Progress	225
	Adobe	358
	Microsoft	621
Data Storage Devices		
	Seagate	144
	Dataram	207
	Western Digital	270
	EMC	323
	Quantum	426
Investment Brokerage		
	Schwab	253
	E*Trade	539
	Morgan Stanley	583
	Bear Stearns	642
	Goldman Sachs	1,165
Pharmaceuticals		
	Eli Lilly	209
	AstraZeneca	310
	Pfizer	331
	Bristol-Myers Squibb	434
	Merck	692



How many times does customer contact information appear in your corporate systems? Consider your contact management software, financial receivables package, order processing system, help desk operation, web site registration, etc. How much time and money have you spent entering, correcting and storing redundant information?

What follows is a set of simple, effective steps almost any business can take to reduce “brainless” activities. Pay your employees to think, reason and enhance value. Let computers perform the brainless activities. Here’s what you need to do.

Eliminate redundancy!

Information should be entered once and only once. Ideally, multiple departments will use a single software application making information retrieval simple. Of course, this is not always possible as some departmental functions require highly specialized software. In those cases, data must be shared either through a central repository or by nightly export/import operations.

You can improve efficiency further by enabling customers to enter their own information through your web site or an in-store kiosk. This approach will result in a large percentage of data errors as people misspell or mistype entries. However, there are software packages available to clean up this data on a nightly basis while eliminating duplicates and adding full nine digit zip codes.

Share information!

Create a knowledge base. For small firms, this can be a network file server with logically arranged folders for information. Larger firms will need a database and a formal information taxonomy. In either case, provide access to marketing materials, sales literature, proposal templates and samples, procedure manuals, organization charts, employee directories, etc.

Most business people spend far too much time reinventing the wheel and chasing information that can and should be readily available. Don’t be one of them.

Abolish approval cycles!

Know what matters to your business and track it. Use the information to empower your employees. Lengthy approval cycles with many checks and balances along the way result in bureaucracy. Here’s an idea. Most companies have layered spending limits. For example, managers can authorize up to \$2,000, directors \$5,000 and vice presidents \$10,000. Why not just eliminate these arbitrary limits? Free your management staff to focus on their jobs. Process purchase orders electronically and generate nightly reports showing who spent what. These reports publicize every purchase internally within 24 hours.

Such a system is self-policing. Because all purchases are tracked and measured, people will naturally watch their spending and justify their purchases.

What other approval cycles exist in your organization? Do all the signatories need to “approve” the action or do many of them simply need to know what’s going on? Make it a goal to eliminate approvals. Circulate information electronically instead.



Leverage relationships!

Identify your key vendors and suppliers. Don't just place orders and send money. Have them track order history down to the line item. They should even be able to tell you when it's time to reorder relieving you of the responsibility.

Set up an extranet (that is, allow them access to a portion of your internal network). They could track inventory levels, enter their own orders, track payments, etc. Your costs go down significantly and it's faster and more efficient for the supplier as well.

Automate sales and distribution channels!

Allow buyers of your products and services to place their own orders on your web site whenever possible. Provide options to have the item shipped, picked up at a local store or downloaded (if applicable). Offer special deals available only on the web as an incentive to place orders there.

If you use resellers, empower them to enter orders, choose delivery dates and select payment terms by using your extranet. Provide them with marketing and training materials online. Make them self-sufficient. They'll thank you for it!

Develop customer self-support and self-help systems!

Many customer problems can be handled through "Frequently Asked Questions" or knowledge base articles. Make these systems easy to use and attractive on your web site. Your phone system can also offer solutions to common problems via either voice or fax.

Customer returns for items ordered via the web can also be automated. Both UPS and FedEx offer product return services to make this easy for your company and your customer.

Move your employees to self-help systems too!

Train employees to answer their own questions regarding benefits by using an intranet knowledge base. Benefits literature, forms, and provider contact information should be available online. Copies of corporate correspondence regarding benefits or other business matters should also be archived online. Free up your Human Resources staff to deal with real business issues.

Once you've eliminated all those brainless tasks, you can focus the organization on being the best it can be. When manual intervention is needed, your team will have the time to provide rapid response and outstanding service. Relieved of the mediocre, they will be positioned and empowered to add value to the organization and drive that revenue per employee statistic higher up the chart.

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