



Efficiency of People & HeadCount

Good people are expensive, hard to come by, mission-critical to retain, and incredibly costly to replace. At the end of the day, they are your entire business.

Despite the above being true - and most companies having a full understanding of that - we see companies making the same unforced errors again and again. The good news is that they are entirely preventable, and in the greater scheme of things, not that expensive or complex to solve.

For the cost of 1 person, you can make every other member of your organization substantially more effective, efficient, and happy (i.e. lower attrition, greater productivity, more creative, etc.).

Mistake 1: Hire for Aptitude, then give menial work.

You are off the wall happy. You just recruited an absolutely amazing new hire. They are talented, self-motivated, and add value with every hour of work they do for you. You pay them well because of their talents. Then you ask them to do grunt or unnecessary work 10-30% of their day (if you doubt this number read on). One of two things will happen. In the best world, they'll accept this reality because they love your company and the good outweighs the bad, but you will still only get 80% of their effectiveness and even less of their brain. Nothing is worse for creativity than having to do mind-numbing tasks each day, week in, week out.

Or... the really bad news starts. In the world today, many of those new all-stars, when confronted with this situation, will simply leave and find a company that invests in its technology. High achievers simply don't have

the patience for rote, repetitive, or automatable work. They know that it is no longer necessary. They are unwilling to tolerate it (consciously or subconsciously) because it lowers their output, and high achievers care about their output.

Mistake 2: Hiring More People instead of Improving Efficiency

We will use the 80% efficiency for our analysis (in many organizations it's probably 50%), For the sake of an example, since some people will not believe the 80% number, let alone the 50% number - what if we asked you how many of a certain tenant you had in your entire active portfolio and pipeline? Some firms can tell you that in seconds. Some in weeks. Now multiple that across every task, query, report & tape creation you do in your day-to-day business. If it's not all push buttons, it's inefficient.

So assuming the 80% (by now you may realize it's worse), every 20 people you need to hire, you will end up hiring 25. Let's say optimistically they only cost you all-in \$300,000. That means you are literally burning \$1,500,000 a year for nothing. To make matters worse, you probably need to hire a manager for those extra 5 people. Plus the people probably cost you more than \$300,000 given all-in costs (total comp + benefits + initial recruitment costs + replacement costs when they leave + computers & equipment + management overhead + personnel associated G&A/T&L).

Now you are spending well over \$2,000,000 when you could have machines do it. The craziest thing... the systems required only cost a small fraction of that. The rest is all + to the bottom line.

Mistake 3: Forgetting HeadCount Lowers Efficiency, Automation Does Not

Just because the company has started to enjoy more success does not mean that it is best to start hiring a lot of "processors." "Processors" tend to cost the company a lot in return for modest returns. They increase the size of an organization and the larger an organization, the slower it tends

to run. There are simply more people trying to talk to more people, which takes more time. It is important to realize that for every person you add, you add N-1 new relationships in the company. So if you are at 40 people, and you add a new person, there are 39 new personal relationships created. While this is wonderful, it is also ripe for interpersonal problems that can distract your business from its core mission. Alternatively, when you put a system into place, it saves everyone 20% time and saves you having to make your next 10 hires, you don't need to roll the dice on 435 new relationships!

It is important to realize that at this point, anything done by hand can be automated by a machine. All the old rote things that we did, like having someone send out a report before a weekly meeting, are now automated inside of an enterprise-caliber system. The task is simply gone. The computer does it. An added plus - system never takes a day off, is willing to work 24/7 without being asked, and will never complain about the work.

Questions to Ask Yourself to Know if You are an Efficient Organization:

Here are a few questions to ask yourself. It is not a comprehensive list, nor is it a challenging list. If you answer yes to all of them, that's good. If it's not, you absolutely can improve.

- Do I have a system (not a process, an actual SaaS-type system)?
- Does it allow my people to work securely from anywhere?
- Do I ask my people to manually create reports, e.g: writing the formulas, copy & pasting, etc
 - Pipeline/Status Reports
 - Asset Reviews/ASRs/Credit Committee Reports
 - Roll Up Management Reports/Strat Reports/ Summary Stat Reports
 - Visualizations/Dashboards/BI Reports
 - Data Tapes

- Are my Excel models integrated with my system or are people copying and pasting from Excel to get the data in one or both directions. Today it needs to flow both ways, automatically. For example, does your updated data from your Underwriting Model automatically populate your ASR, your pipeline reports, and your tapes?
- How do I do one-off questions like “What is my [blank] in [blank]”? Does the researcher have an in-app ad hoc reporting suite where they can drag, drop and get the answer? Or is the process offline? Do they have to merge data from different systems by hand? If the answer is anything other than drag, drop, and be done, there is room for substantial improvement. This is a HUGE area of time loss in most organizations.
- Can my people self-serve the information they need? Is it within a security framework where they have access to only the information they should have, on the loans they should have?
- Data Change. Can I see who created or edited any data point in my organization and when? This needs to be yes, both from a compliance side, but equally importantly from an efficiency side. If I think something is wrong, who do I ask before I change it? How do I know if it was entered a day ago, or if the data point was from a year ago?