INCREASING THE BOTTOM LINE – MORE THAN JUST TRADING

Most organizations are in business for the sole purpose of making profits. It can be argued however, that there are many unselfish activities that organizations undertake. Notwithstanding, a closer examination of these activities could reveal that they may not be quite so genuine. Take for example the act of making a donation to a charity. How many of these donations go without at least an ‘honorable mention’?

The publicity gained from any donation is expected to attract more business and redound to greater profits for the organization over a sustainable period. Donations to charity usually pale in comparison to the profits gained from building a good reputation. It is only natural for one to feel sentimental about dealing with a ‘good’ company. This is in fact one of the marketers’ secret to building loyalty among customers i.e. getting customers to become sentimental about the company or product.

There are a number of other strategic revenue generation activities that organizations undertake in an attempt to increase their bottom line, such as ‘greening’ their output and providing public goods within their operating communities.

Increasing revenues is not the only avenue that can be used to help improve the bottom line. The other factor in the equation I wish to examine is the lowering of costs. Specifically, I wish to take a look at how some organizations attempt to increase the human productivity ratio.

Just as we as consumers look for bargains from companies, so too organizations look to get good deals with regard their employees. Consider which of two cellular phones you would buy if they were both of the same brand but one only had the ability to accept and receive calls and is sold for the same price as a camera phone with a global positioning radar system and video calling capabilities, *ceteris paribus*. Not such a hard decision is it? Well, that is unless you are a bit ditzy. In the same vein, a company will likely select an applicant for a position who has significantly more to offer than one who has just what is required for the job if they were to both agree to the same employment terms.

This situation allows the organization, for the same cost, to achieve higher productivity levels as well as synergies in other departments whereas the alternative may have just allowed it to reach its target. The organization can consider itself to have effectively obtained a bargain on the labour market. But has it?

To answer this question one must first contemplate the reasons why someone would accept employment for a position for which he or she is overqualified and per chance the knowledge of his\her over-qualification was attained some time after being employed, then why would that person continue in that position. There are several reasons for this including but certainly not limited to: - the desire to gain experience, the simple need to be employed, love for the industry or the individual may view the job as a step to the next level.

While organizations look at the extra benefits that may be derived from their underemployed human resources, there may be more considerable costs that the organization may have overlooked or may be willing to accept when engaging in this practice.

STAFF TURNOVER

It is simply a matter of time until an underemployed individual seeks a better fit for his/her qualification and/or experience. An organization that adopts a policy of increasing human resource productivity through the practice of hiring over-qualified and/or experienced individuals to fill its vacancies will no doubt endure a high rate of staff turnover. This would likely have an impact through the organization and not just the underemployed members of staff. Some of the resulting effects on the organization from having a high turnover rate may include:-

- Loss of company secrets to competitors
- Higher Training Costs
- Reduced Staff Morale
- Reduced Work Quality

RISK OF FRAUD

An organization exposes itself to the risk of fraudulent activities arising out of having low staff morale at its offices, as employees seek what they may term justice, or may exact revenge for their frustrations. Some acts of fraud can have a destabilizing effect on the organization. One needs only to look at reports earlier this year of the fraud committed at the French bank Societe Generale where a Trader cost the company sums equal to a full year's profit in stable times. Although the reports made no mention of the motive behind the fraud, they were keen to include the trader's vast experience and salary cap. Interestingly enough, the Bank's CEO indicated that the trader's motivation was irrational as the fraud netted him no personal financial gain. Likely effects from employee fraud can include:-

- Loss of customer confidence and customer base
- Loss of creditor confidence and credit facilities
- Loss of investor confidence and fall in share price
- Organizational collapse

RISK OF NON-COMPLIANCE WITH COMPANY PROCEDURES

Organizations that obtain bargains on the labour market may sometimes extend special privileges to those employees by turning a blind eye to compliance procedures in preference to meeting and exceeding budgeted targets. Best practices can be ignored as effectiveness from these employees may become more highly rated by managers. Inconsistencies and dual standards are likely to have telling effects on human resources overall as short-cuts taken by some employees usually result in more work for other members of staff. Some of these effects may include:-

- Division among members of staff
- Low staff morale
- Sub-cultures arising within the organization

In addition to

- Staff turnover
- Susceptibility to fraudulent activity

When it is all summed up, organizations must ask themselves whether they receive greater benefits from reduced wage bills for the overqualified professional in the position or is it better to pay fair wages and reduce the risks of fraud and human resource issues.

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