

Concepts...



"Concepts" is published by Parvidya Design Partners to raise as many questions as it answers. It is driven by the belief that the industry, its products and its services are ever evolving. The ideas reflect the challenges faced in the continuous journey of innovation and improvement.

Resource Considerations:

Employees are often referred to as a company's most valuable "assets". Despite the rhetoric, from a financial perspective, the employees have never been able to lift themselves out of the "expense" column.

Your resource costs will always be an expense but you can regard that expense, at least analytically, as an investment, from which you derive a return. Return on investment (ROI) is a commonly used financial measure and the "investment" usually includes resource expense. However, there is not always a direct connection from that expense to the possible return. The overall margin of a business may be analyzed assiduously but a simple means to create variety in the ways of generating margin is often overlooked.

In the same way there are different, economic reasons to buy, lease or rent a car; you should consider all options when recruiting a team for a business or project. Interestingly for this text, with a leased car, you may have an option to buy it. Agency staffing is a common and cost effective addition to your resource pool but it has a downside. The agency staff is a useful buffer for economic downturns, in order to save full time staff, but the resources usually have lower skills despite being diligent workers because of their tenuous employment status. Although these resources are cheaper, the economic downturn buffer provided for full time staff is offset by the limited usefulness to the overall organization.

The main concern of this text is full time vs. contract (or consulting) staff. As the audience is primarily derived from the financial services, trading analogies will be used to define the examples discussed.

A full time resource can be regarded as a "Buy Long". There is, however, an implied "Call Option" from other competitors in the sense that you may be relieved of your "asset" if these invisible transactions are exercised. There is also no real liquid market for you to trade your employees other than "hitting the bid" from your competitors at compensation time. Full time employees are therefore a definite commitment at the point that the transaction is settled and they come with associated, ongoing expense and risk. There are only indirect means to reverse the transaction beyond economic abandonment scenarios framed as expense reduction. A contracted consultant resource can be regarded as a "Total Return Swap". Your company swaps the return on the consultant's contribution for the expense of their billing rate. This is an attractive alternative to the commitments of full-



"Look Jones! While we appreciate the benefits for morale with you discovering your 'inner child', we need you to find your 'inner-type-A-achiever' to remain an 'inner-full-time-employee!'"

time employees. There is a risk in that the time limits of your "trade" for various consultants may not re-new at favorable terms. However, this is off-set by the flexibility to change your "exposure" to different expertise. Appropriately, Agency resources have a limited return but lower cost while Consulting resources have a higher return but higher cost. Finally, consider a contract resource with the option to hire. This is a "Total Return Swap" with an attached "Call Option" for you. This offers maximum flexibility while providing an avenue to more solid returns if you so choose.

There is no one, right answer but, as in trading, is not better to have multiple strategies and a diversity of assets? If you can define your business resources as a rolling investment, you can then plan a *flexible resource investment strategy* directly linked to financial return objectives in order to maximize that return.

Parvidya Design Partners would be pleased to discuss the realization of these concepts with you further. We thank you for your consideration.

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