

SMALL BUSINESS TRENDSETTERS

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10% To 20% Of Most Company Revenues Go Down Sinkhole | Prevent Losses & Improve Profits

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 Based on studying thousands of companies over decades of time and cross-checking with data from insurance companies, the Labor Department, the Commerce Department, the F.B.I., the security industry, Department of Justice, Bureau of Labor Statistics, the National Federation of Independent Business, and others, we found the following comprise the sinkhole:

1) Sickness of workers. Lots of people sick on Monday mornings either don't show up or show up sick. Forbes Online reported this costs employers \$4300 per year per worker.

2) Workers comp. According to Liberty Mutual the indirect costs of a workers comp incident not covered by insurance runs five times the covered amount. This includes rehiring, retraining, possible bad public relations, possible loss of customers, a bad effect on other workers' morale, possible damage to equipment, managers time involved in depositions and filing reports.

- 3) Theft by employees. About 30% of employees steal according to the US Chamber of Commerce. Even if it is not a major heist, it is demoralizing and destroys the family company feeling the management and owners wish to build and it is no fun for the honest employees because they put up with it under intimidation.
- 4) Outside theft and vandalism. We live in a rough world. When these things happen it is very disruptive and it is never on the calendar or To Do list as something anyone allocated time to deal with, but when it happens you have no choice.
- 5) Threats or physical violence. Can be rare at some companies or more common at others. When it happens it is memorable. Either a boss gets threatened after he or she fires someone, a worker threatens or attacks another, or it can be an angry customer. There are 2,000,000 such acts at workplace reported to police each year.
- 6) Lawsuits for slip and falls whether real or phony. Again, not an everyday occurrence, but when it happens there are depositions, loss of managers' time, insurance reports. Also public liability claims for injury to children that trespassed onto the grounds and got seriously injured. This can result in millions in liability. There are 9,000,000 slip and falls per year.
- 7) Auto and vehicle accidents on the property or off.
- 8) Embezzlement and fraud.
- 9) Arson is not a leading or major problem, but does strike 31,000 businesses per year. Most hit, though insured, are out of business within 2-3 years following the event.

What happens when these things happen? How does it feel to the owner? One company owner came in Monday morning and saw how teenage vandals had destroyed every piece of his custom machine shop machinery. He had a heart attack.

Companies have come to learn too late that insurance doesn't cover lots of things. The sometimes recurrent below-the-radar, below-deductible thefts are not covered. Some thefts are simply undetected so of course those are never covered. Insurance may replace equipment or a burned-down office but the downtime, consequential damages, loss of customers' business while the company can't operate for half a year – these are not covered. When it is a major loss – ask any insurance agent – rates may double or triple in following years. "Research indicates that 80% of businesses that suffer a major incident will never fully recover their pre-loss trading position and some of these will cease operating entirely," says Chartis Insurance, the world's largest commercial insurer.

If a company could convert half or even a quarter of the above losses into recovered profits it could double or triple the company's profits (depending on industry and its profit margin). "This is what we can help a company do by showing, teaching and implementing things overlooked to date. The solutions cost the tiniest fraction of the profits recovered," says Ken Hantman, president of Perimeter Protective Systems, Inc.

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