



UNLOCKING POTENTIAL

The Strategic Benefits of Profit
Sharing in the Modern Workplace

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SPFA Antitrust Policy

"Our policy is to comply with all federal, state and local laws, including the antitrust laws. It is expected that all company member representatives involved in SPFA activities and SPFA staff will be sensitive to the unique legal issues involving trade associations and, accordingly, will take all measures necessary to comply with U.S. antitrust laws and similar foreign competition laws."

It is a per se violation of the federal antitrust laws for competitors to agree on prices, limitation of supplies, allocation of customers or territory, or boycotts. "Per se" means that no legal defense can be used to mitigate this automatic violation.

Even an agreement by competitors that is for the good of society and our industry may be a violation of the antitrust laws if it could affect competition.

If a topic of antitrust concern is raised at any time during a meeting, note your objection for the record. If the topic continues to be discussed, you should leave the room immediately and contact SPFA's general counsel and your company's attorney for further guidance.

Ensure that every SPFA meeting, where members are present, has an agenda, the agenda is followed, and minutes are kept by SPFA staff of the proceedings.

Understanding and acting on the requirements of U.S. and foreign antitrust and competition laws sometimes can be difficult. If you have a question about the propriety of activities or discussions in SPFA, you are encouraged immediately to contact your company's legal counsel and SPFA management.

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What is Profit Sharing?

Simply put, profit sharing is a system in which a company shares a portion of its profits with employees.



Why Profit Share?

“Why would I want to reduce my profits?
Small business is hard enough already.”

“Why should I pay my employees extra for a
job they are already getting paid for?”

Potential for increased financial well-being.



A recent survey showed that 71% of Americans identify money as a significant cause of stress in their lives. Even a 3% increase in income has been shown to significantly reduce this stress. Employees that are less stressed are happier and more productive.

But in reality....



Here's what its really about:

Enhanced motivation and engagement.

- ❑ Teamwork
- ❑ Systems creation
- ❑ Pride in their work
- ❑ Increased Productivity and performance



And this all leads to.....

MORE PROFIT!!!

Stronger sense of ownership and loyalty to the company.

- Better Decision Making
- Honesty and Transparency
- More educated employees
- Pride in their work
- More accountability
- Less mistakes
- Improved reputation

What does this lead to?

Employee Retention

Employee retention leads to a stronger sense of community,
less mistakes, improved reputation and.....

MORE PROFIT.

Attraction and retention of talent.

According to [Glassdoor's Employment Confidence Survey](#), about [60% of people report that benefits and perks are a major factor](#) in considering whether to accept a job offer. The survey also found that 80% of employees would choose additional benefits over a pay raise.



Improved understanding of operational inefficiencies.

- Find inefficiencies
- Refine business practices
- Develop/refine systems
- Continuous improvement



Here's the BUT.....

In order to have an accurate dollar value to share you **must** “Know your numbers.”

What does that mean to you?

How do you get there?

“Knowing your numbers”

- Honesty and Transparency
- Accurate and effective PRE and POST cost accounting
- Good business practices
- Solid understanding of your overhead, operating costs and production averages.
- Business understanding- you or a business advisor, bookkeeper and accountant.
- Regular meetings to reference current financial standings

Types of profit sharing

- **Deferred Profit Sharing**
 - Contributions to an employee's retirement plan instead of immediate cash payments.
 - Examples: 401(k) in the U.S.
- **Equity-based Profit Sharing**
 - Distribution of company stock options or shares.
 - Examples: Stock options or Employee Stock Ownership Plans (ESOPs).

FOR SIMPLICITY we will focus on simple and traditional profit sharing.

- **Traditional Profit Sharing**
 - Percentage of profits is distributed to employees.
 - How it's calculated: Typically based on a formula (e.g., profit percentage, seniority)
 - Examples: Monthly, quarterly or annual payouts.

Best Practices for Implementation

- Transparency in how profits are calculated and shared
- Ensure equal opportunities for all employees
- Tailor the system to suit different roles
- Consider calculating share potential based on the company average vs. individual performance
- Share potential based on man hours vs. job to job basis
- Consider building the program with the team.
- Periodic Review and Adjustment



Potential Challenges and Solutions

Economic Downturns- how do you manage profit sharing in tough financial times?

- Not enough revenue? Motivate your sales team and set new goals!
- Over on man hours? Brainstorm ways to improve efficiency!
- Over on materials? Re-train on spray best practices, check production expectations or look for materials with better yields!



Disparities in contributions

- Balancing between team-based contributions and individual recognition
- Transparency in how its calculated
- Clear steps to improvement and advancement

Basic Profit sharing examples

This assumes an evenly split quarterly payout to 10 employees.

REVENUE PERIOD	January-March
TOTAL REVENUE	\$ 200,000.00
TOTAL OPERATIONAL COSTS	\$ 160,000.00
TOTAL PROFIT	\$ 40,000.00
10% PROFIT SHARE	\$ 4,000.00
EMPLOYEE SHARE	\$ 400.00

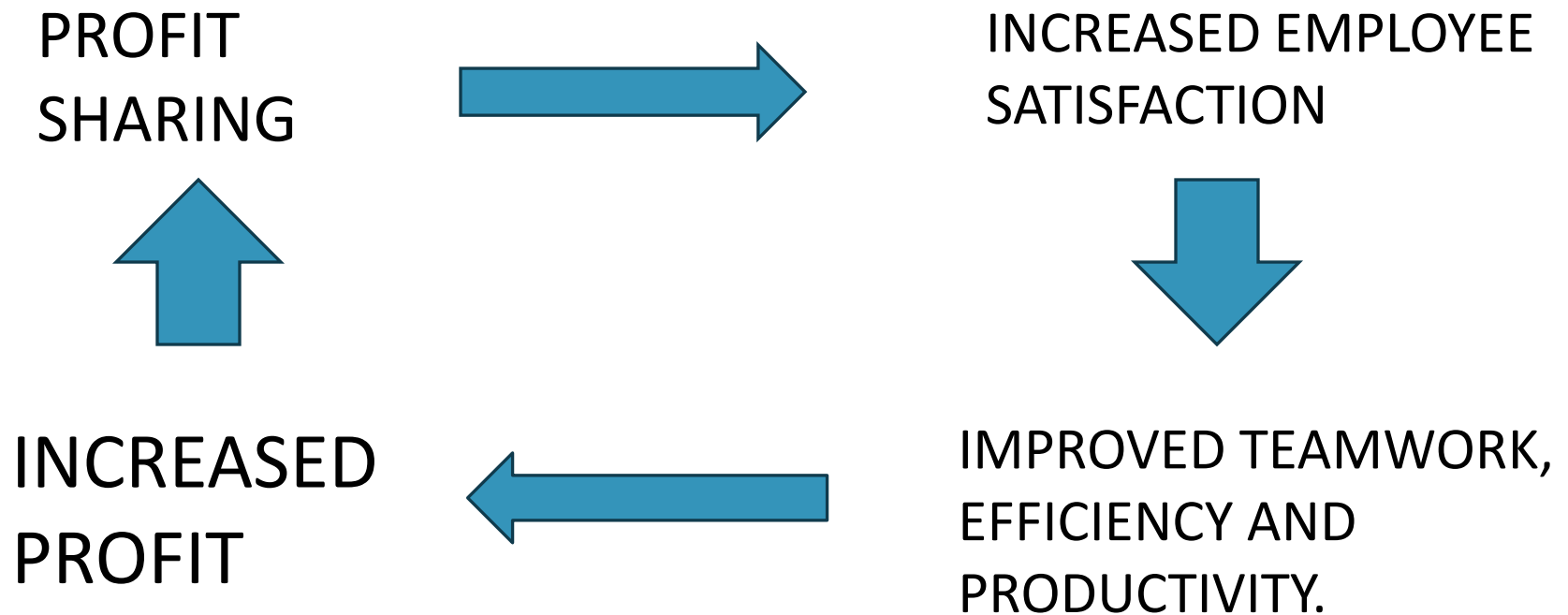
Basic Profit sharing examples

This assumes a 2-tier system (50% to crew leads vs. 50% to helpers), paid quarterly to 10 employees- 4 leads and 6 helpers.

REVENUE PERIOD	January-March
TOTAL REVENUE	\$ 200,000.00
TOTAL OPERATIONAL COSTS	\$ 160,000.00
TOTAL PROFIT	\$ 40,000.00
10% PROFIT SHARE	\$ 4,000.00
TIER 1 EMPLOYEE SHARE	\$ 500.00
TIER 2 EMPLOYEE SHARE	\$ 333.33

Conclusion....

Profit sharing is an investment in your team and ultimately your business. It promotes trust, creativity, accountability and ultimately more PROFIT. The possibilities are endless!



QUESTIONS?

