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Empowernomics®



Awakening organizational intelligence to turn hidden costs into profits

Victor Heredia
victor@empowernomics.com

XIX Junta Anual, Ciudad de México, Octubre 2018



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Hidden costs and
untapped
performances are a
HUGE
opportunity



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Understanding HCs



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**Only
13%
of employees are
engaged at work
(Gallup)**



Worldwide, 13% of Employees Are Engaged at Work

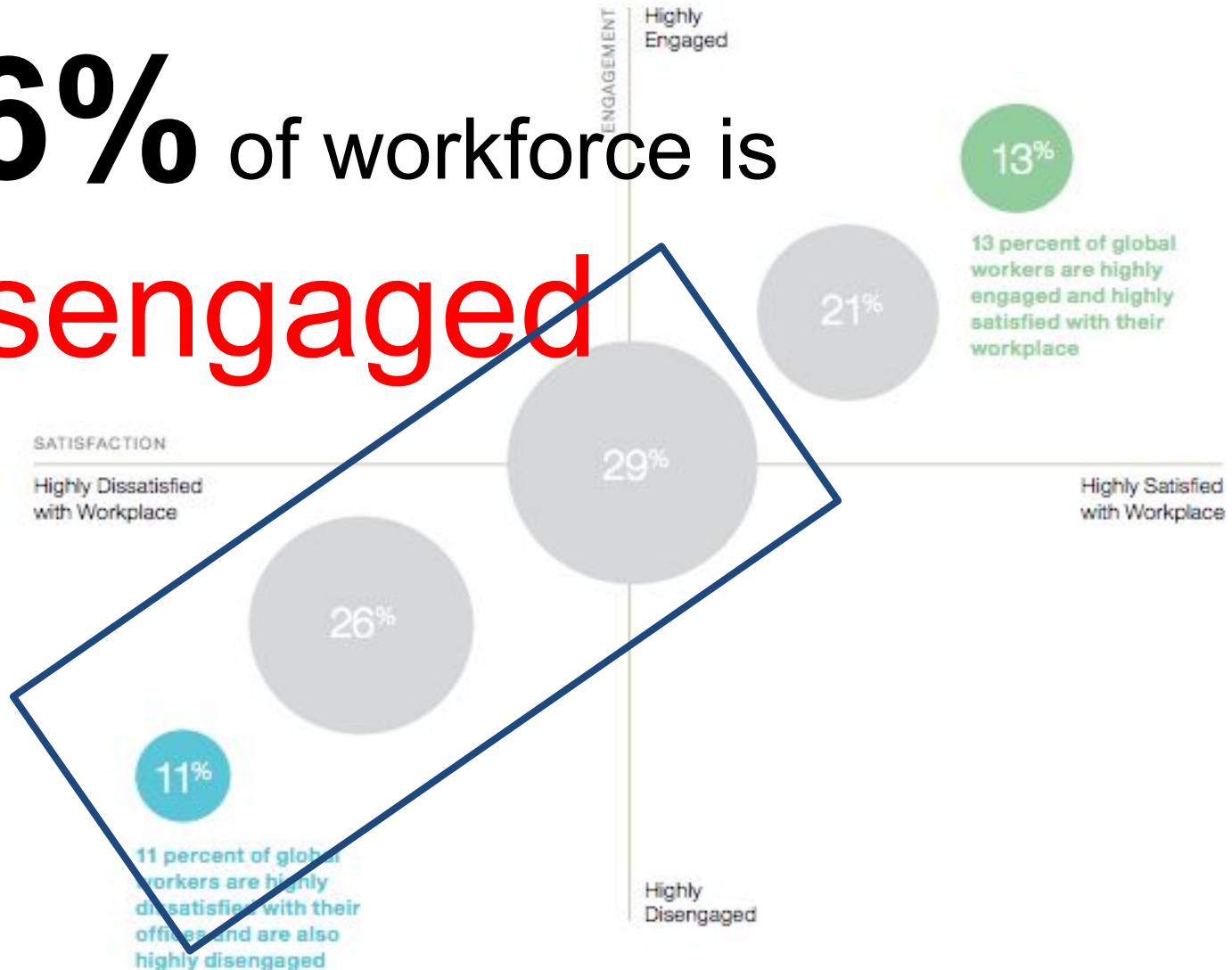
Low workplace engagement offers opportunities to improve business outcomes

BY STEVE CRABTREE

WASHINGTON, D.C. -- Only 13% of employees worldwide are engaged at work, according to Gallup's new 142-country study on the *State of the Global Workplace*. In other words, about one in eight workers -- roughly 180 million employees in the countries studied -- are psychologically committed to their jobs and likely to be making positive contributions to their organizations.



66% of workforce is disengaged





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In the US
knowledge workers are productive
3.5 hrs a day.



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BUSINESS
INSIDER

TECH | FINANCE | POLITICS | STRATEGY | LIFE | ALL

PRIME | INTELLIGENCE



Forget the 9 to 5 — research suggests there's a case for the 3-hour workday

Chris Weller Sep. 26, 2017, 2:33 PM



- **The average worker spends most of the eight-hour workday doing many other things beside work, including eating, socializing, or reading the news.**



The eight-hour workday may be five hours too long, researcher suggests. Claro Cortes/Reuters

NOSOTROS TE ACOMPAÑAMOS CON:

- Desayuno incluido todos los días
- Late Check Out a las 2 pm
- WiFi Premium
- Crédito de 10 dls

Hilton

RESERVA AHORA

Aplican términos y condiciones.



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**Mexico has the longest
work hours in the world
and at the same time is one of the
most unproductive according to the
OCDE.**



Hours worked

Total, Hours/worker, 2017 or latest available

Source: Hours Worked: Average annual hours actually worked





At a personal level...

A person that commutes
3.5 -4 hrs daily...

(and adding the unproductive hrs)

is **wasting**

+75% of his life



Productivity formula

$$\text{Productivity} = \frac{\text{Performance (Output)}}{\text{Resources (Input)}}$$



Productivity Formula


$$\text{Productivity} = \frac{\text{Performance (Output)}}{\text{Resources (Input)}}$$

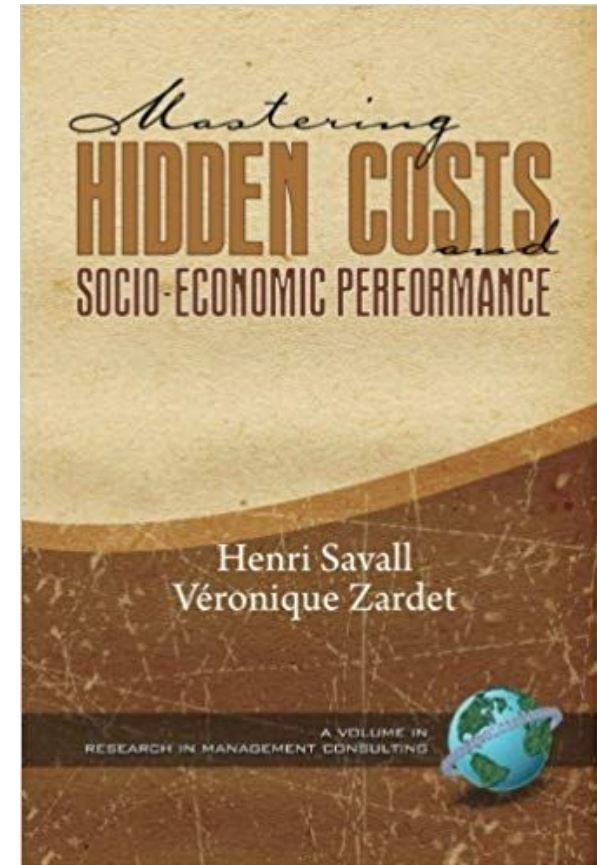



Hidden Costs Theory

“Human potential is the key active factor in creating added value.

“Hidden costs equal to at least **40% -300% of annual payroll amount**”.

Hidden cost are not shown in the traditional accounting.





Hidden Costs (HCs) Example...

In the US, for a **1,000 employee organization**

- \$50K dls Average Annual Salary
- \$50M dls of Total Annual Payroll

Financial Industry: HCs= \$50-\$150M dls

Services: HCs= \$30-\$100 M dls

Manufacture: HCs= de \$20M dls anuales!



“The main cause of hidden costs is the archaic management practices that prevent the active engagement of employees”.



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Hidden costs
are not present
in the accounting



Case: Auto Service Small Business

Before

- Lot's of work and no profits
- Annual profit 30K dlls





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Where is the Money?



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In the US

- 8 of 10 business fail in the first 18 months
- 65% of business are not making or losing money.
- 6% of business make 50% of the profits



After Diagnostic

1. The key generate profits is to convert labor paid into labor charged (\$18 dlls to \$120 dlls)
2. 4 mechanics were doing only **2.5** billable hours a day.



Case: Auto Service Small Business

Strategy: Turning 3 non billable hours into billable per mechanic a day radically increased the bottom line.

After

- Annual profit: from 30K to 300K dlls.



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**Turning
hidden cost into profits
is connected to
how value is created**



Where are the HCs?

- **Organization Dysfunctions**
- **Untapped performances and potential**



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Empowernomics®

**Is an innovative management model
and a business transformation process
designed to identify, quantify and turn
hidden costs and untapped potential
into tangible value.**



Step 1

Diagnostic

1. Identify
2. Classify
3. Quantify
4. Asses economic impact



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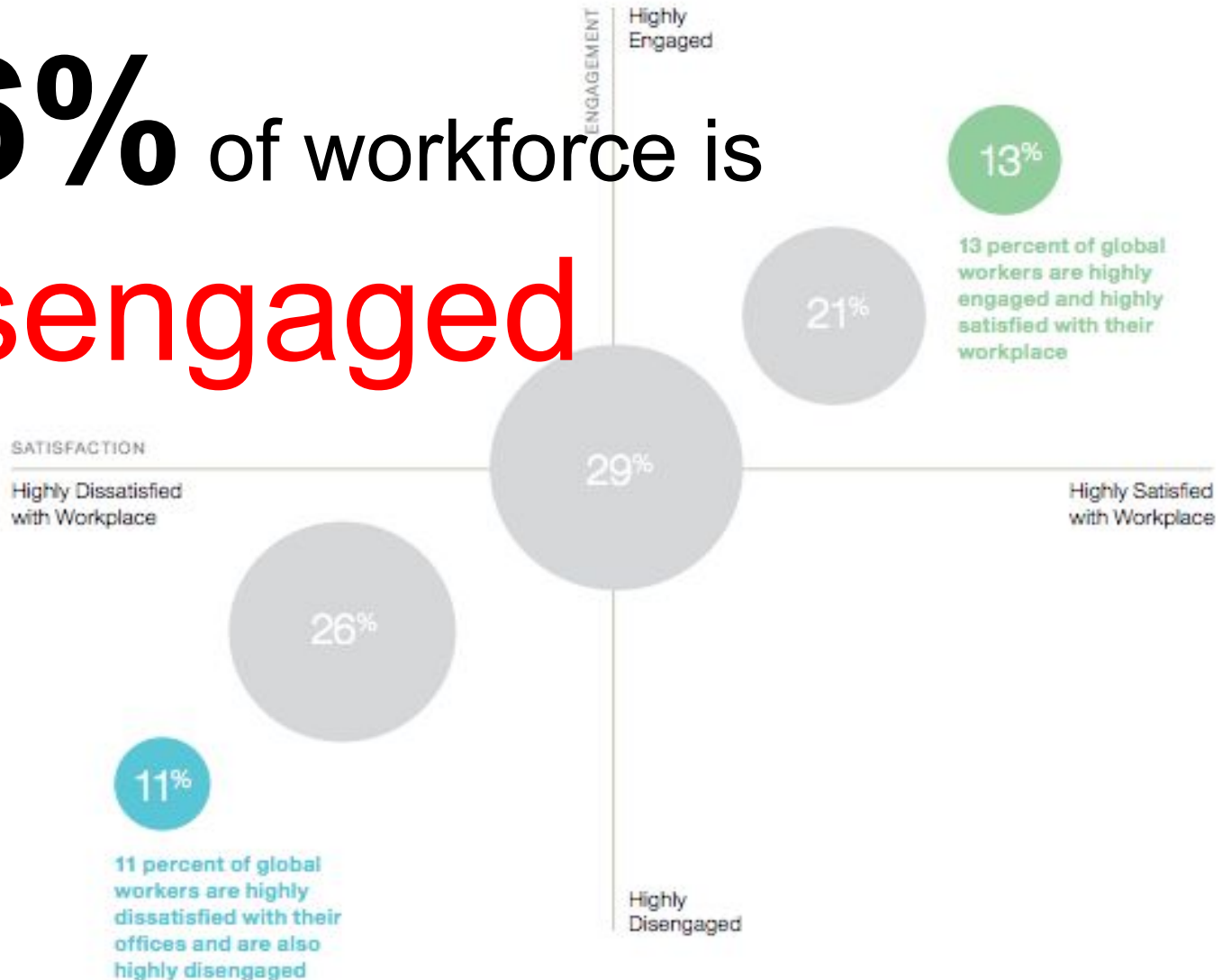
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What is the secret?

(Collective intelligence)

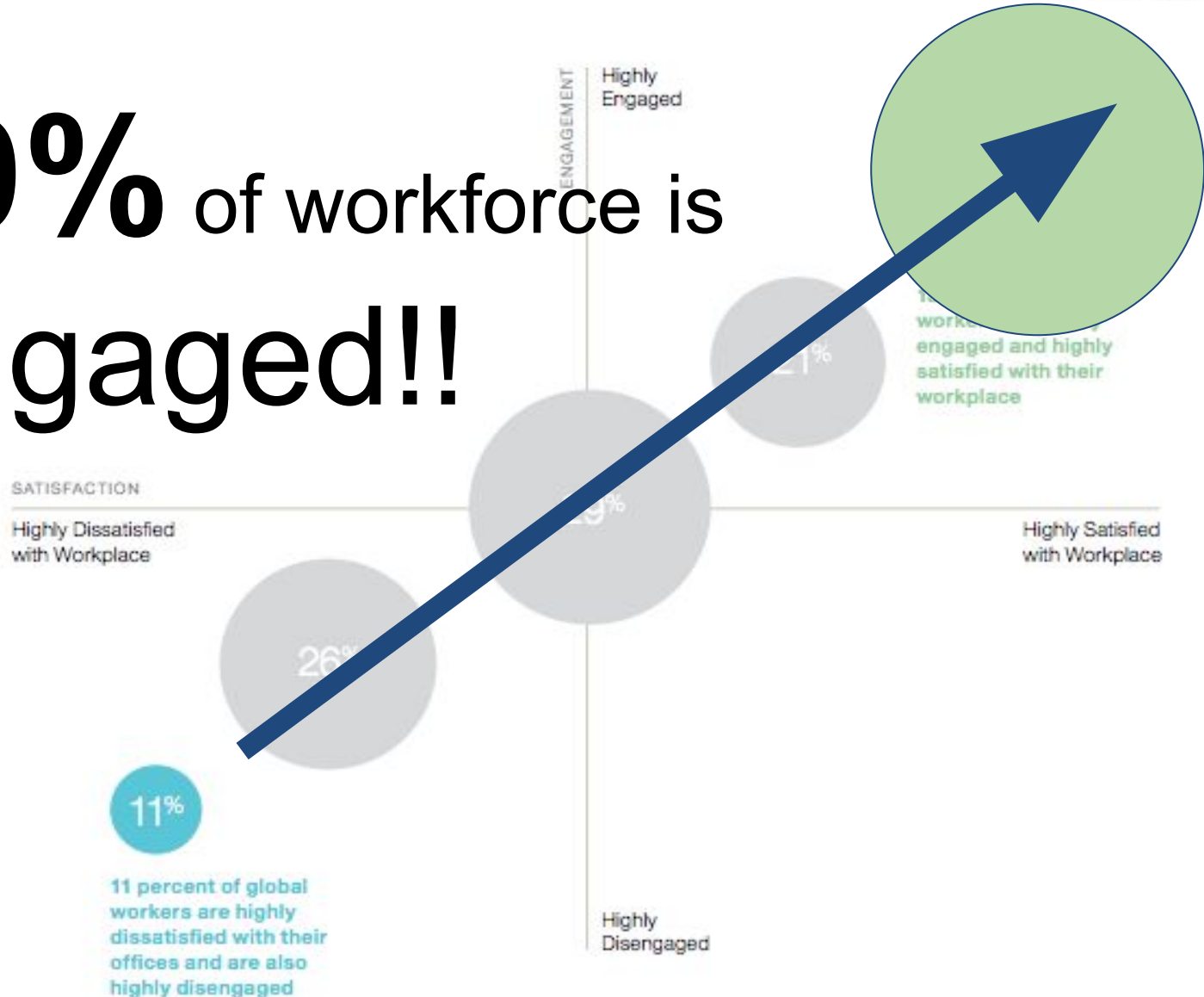


66% of workforce is disengaged





99% of workforce is Engaged!!





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How is value created in the 21st Century?



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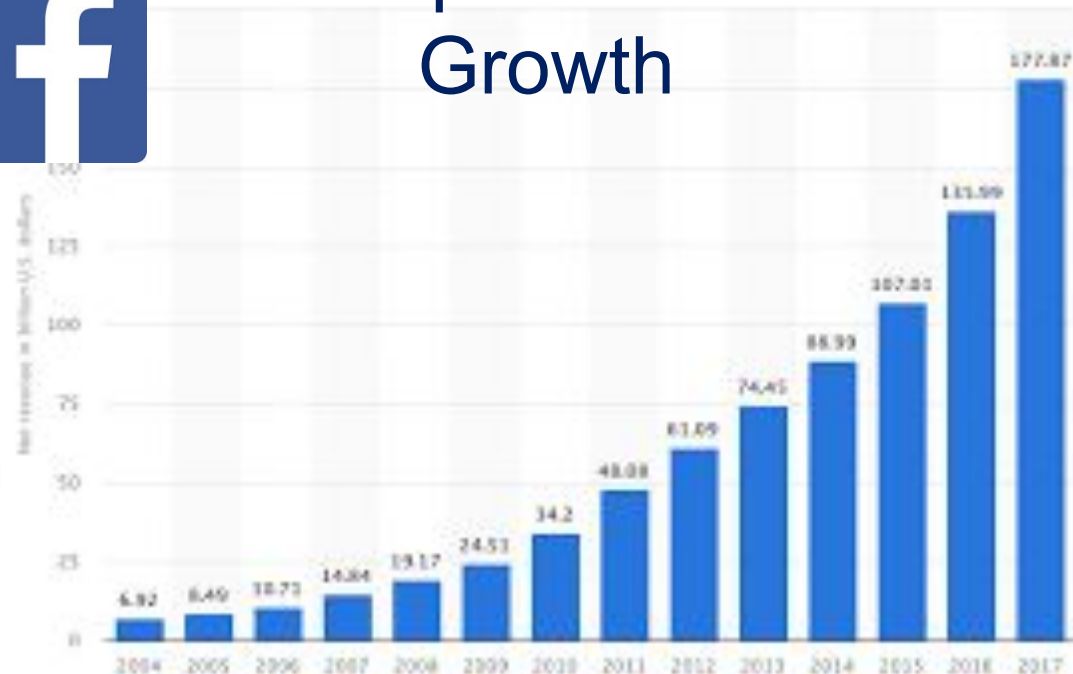
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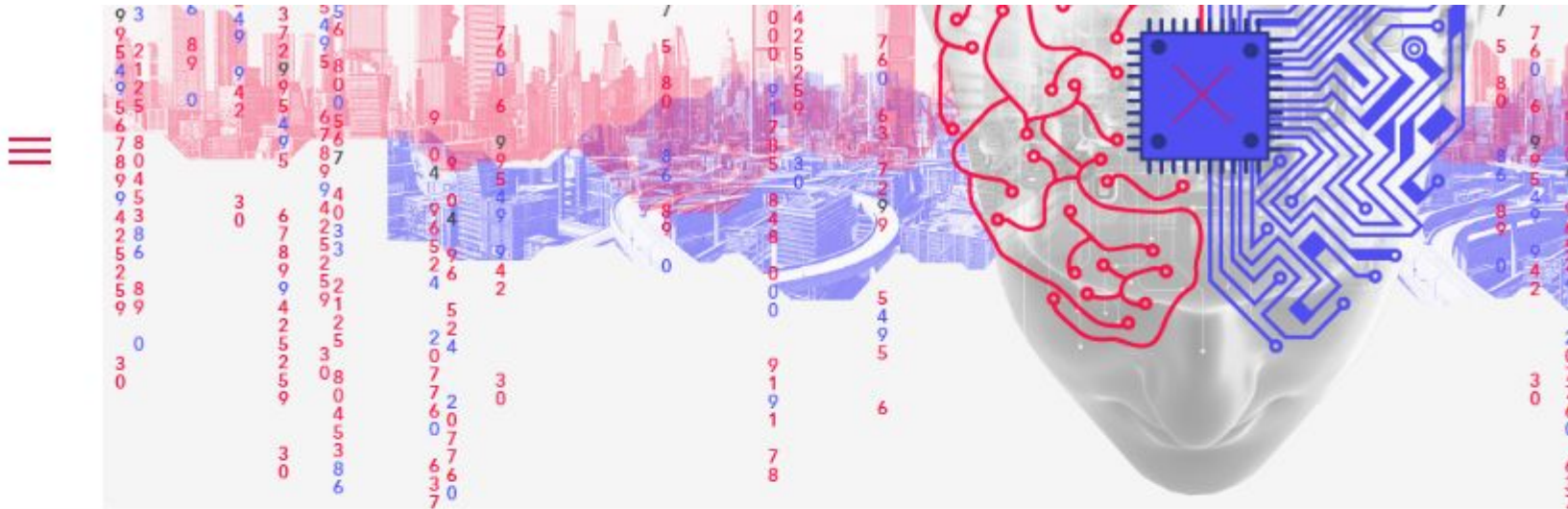
Exponential Growth





The era of ...





How artificial intelligence is transforming value creation

— Cognitive machines promise to change value creation fundamentally in future. Z_punkt has identified five areas of transformation, which will emerge from their use. You will discover



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...and collective intelligence

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In simple terms

Engage our teams

Ask them

What is not working?



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Diagnostic

The result is irrefutable!

(As long it is confidential y anonymous)



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A new account report



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Next step is to develop

Developing a Strategy for Corrective Action and Systems Improvement Planning



After 15 yrs of development...

Empowernomics®

- Diagnostic
- Management Model
- Management Tools
- Implementation Methodology
and Process

Simple and Powerful

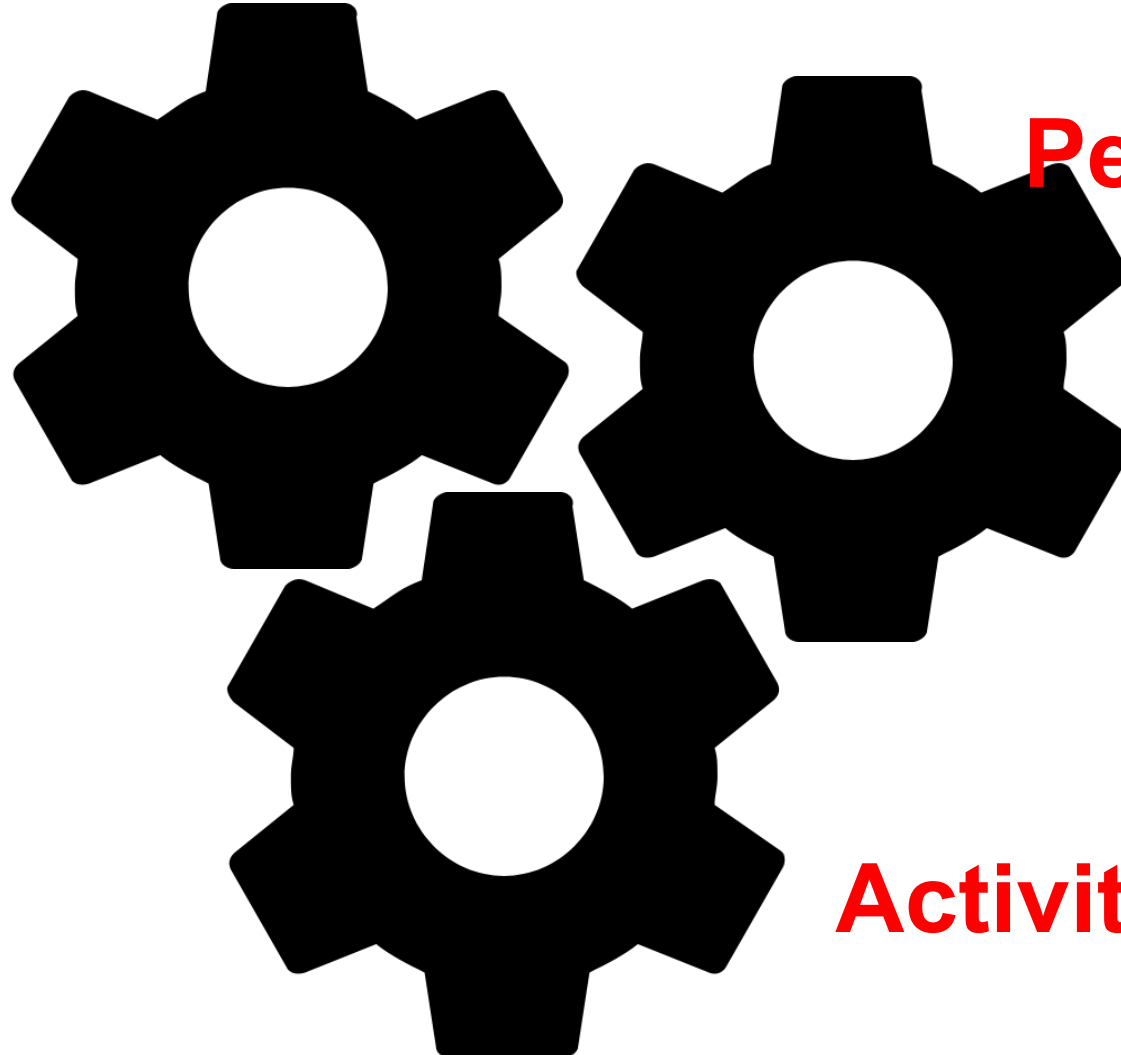


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Empowernomics®

Intelligent Organization Model

Structure



People

Activities



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Activities

Structure

**Intelligent
Organization
Model**

People

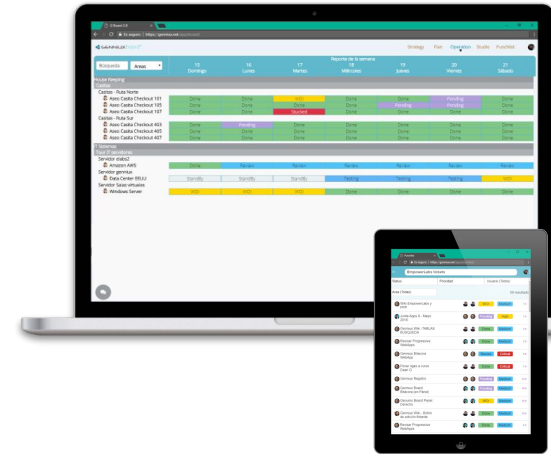
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Empowernomics®

Digital Toolbox

- Strategy Management System
- Operations Control System
- Activities Control System
- KM System
- Internal Communication System





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Project Implementation

By using our proprietary methodology
to build High Performance Teams
(**EmpowerTeams®**)



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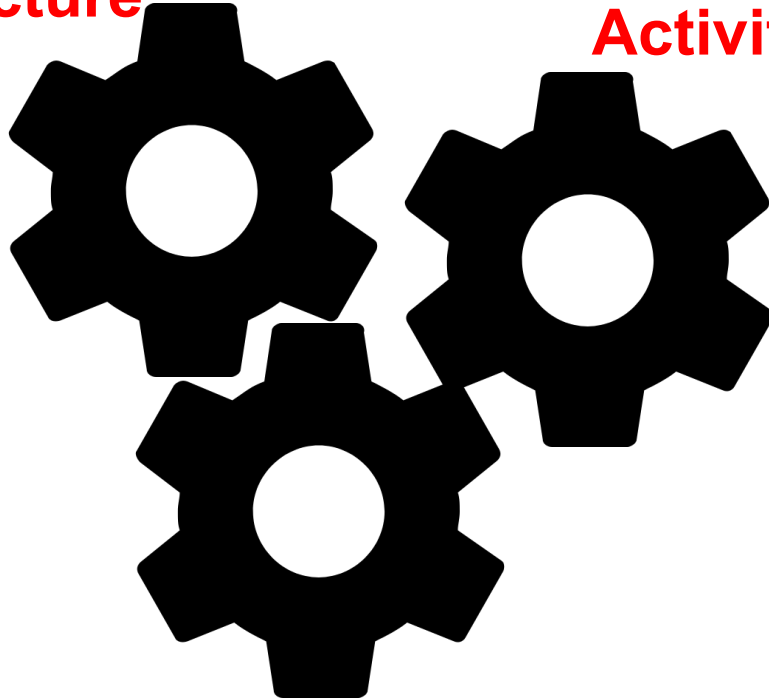
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Structure

Activities



People

Impact

Economic
Culture Change
Structural Change
Change on a daily basis
activities



Conclusion

- There is **gold mine hidden in every organization**
- This hidden treasure is related to the **amount of hidden costs and untapped potential in organization**, is NOT to be seen in the **traditional accounting**.



Conclusión

- It is **possible** turn **hidden costs** into **tangible value** with the right tools and methods.
- The secret is to utilize an **updated management model** and utilize the **collective intelligence** and **human potential** of the organization



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**The end result is an overall
empowerment of the
organization with an amazing
economic impact.**



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Victor Heredia

victor@empowernomics.com