

# The Issue

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## A Financial Case Study: Improving Retention Rates of New Mothers with a Corresponding Reduction in Health Care Costs

**John Luttrell and Nancy Held**

The responsibility of the senior finance team is easily stated but challenging to execute. They must be knowledgeable across all functions of the business but not wedded to process, constantly seeking opportunities for innovation and improved financial performance. As one would expect, the devil's in the details. This is a case study of one company where the financial team uncovered surprising value, cost savings and solid ROI.

### **Background**

The cost of employee turnover is an often quoted but ignored statistic. Reducing the cost of employee turnover is usually overlooked because (i) it is not measured, (ii) it is viewed as largely uncontrollable and, (iii) senior management has not recognized employee retention as a worthy corporate priority. Additionally, it is a difficult adjustment for managers to change their thinking as the economy improves to one where "doing more with less" is no longer an overriding corporate mantra.

This newsletter deals with one aspect of improving retention rates- that associated with corporate support of mothers as they return to work after giving birth and how such support can also be directly linked to corporate health care costs.

Specifically, support for nursing mothers in their individual lactation programs is beginning to gain recognition as a meaningful retention tool that will, if properly administered, significantly reduce turnover rates and health care costs. More leading businesses have begun to implement such programs and we see this as a trend that will spread as these programs are (i) relatively low

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cost, (ii) have developed to the extent there is a viable working model that is relatively easy to implement, and (iii) the ROI is both overwhelming, measurable and proven. Finally, the immeasurable benefit of showing corporate support for helping new moms reconcile the conflict between being a new parent and the demands of one's career cannot be overestimated.

### **Work Retention Rates for New Mothers**

A study<sup>i</sup> of several companies with lactation support programs showed that they retained 94.2% of their employees after maternity leave, compared with the national average of 59%. Approximately 62%<sup>ii</sup> of the 4 million women giving birth in 2013<sup>iii</sup> were active participants in the US labor market. With a significantly higher retention rate for employers that have lactation support programs, addressing issues between balancing breastfeeding and work requirements is an area ripe for evaluation.

### **The Cost of Employee Turnover**

The direct cost of employee turnover is known to be extraordinarily high even though individual costs may vary depending upon the type of job, the location of the open position and labor market availability. However available statistics and estimates published almost always fall within ranges that are not all that different. According to an analysis presented by in an April 2015 piece in Talent and Resource Management and HR<sup>iv</sup>:

When you consider all of the costs associated with employee turnover – including interviewing, hiring, training, reduced productivity, lost opportunity costs, etc. – here's what it really costs an organization:

- **For entry-level employees, it costs between 30-50 percent** of their annual salary to replace them.
- **For mid-level employees, it costs upwards of 150 percent** of their annual salary to replace them.
- **For high-level or highly specialized employees, you're looking at 400 percent** of their annual salary.

Having spent considerable time evaluating such costs, I can support that the above estimates are reasonable and would be accurate for use in performing cost benefit analysis of proposed retention programs. However, the most skeptical CFO could reduce these estimates by 50% and will still conclude many proposed retention techniques discussed herein will still demonstrate an enviable ROI.

### **Why Breastfeeding is an Important Parental and Corporate Objective**

The history of breastfeeding as a necessary health imperative has been developing for several decades and the evidence is now abundantly clear that breastfeeding is an important component in maintaining the overall health of both infants and new mothers. In the March 2012 issue of Pediatrics (published online Feb. 27), the American Academy of Pediatrics (AAP) reaffirms its recommendation of exclusive breastfeeding for about the first six months of a baby's life, followed by breastfeeding in combination with the introduction of complementary foods until at least 12 months of age, and continuation of breastfeeding for as long as mutually desired by mother and baby. Using data from a survey conducted by The Center for Disease Control, a team from the University of Houston examined survey responses from 859 women returning to work to see if their work experiences were predictors of their breastfeeding decisions. Of the 859, just over

300 women managed to continue breastfeeding for a year. Only seven continued breastfeeding exclusively for the recommended six months<sup>v</sup>.

Improving the rate of breastfeeding is an important corporate objective because it directly impacts an entities health care costs and employee productivity. To cite a few meaningful statistics:

- Babies who are not breastfed visit the physician more often, spend more days in the hospital, and require more prescriptions than breastfed infants. One study found that the United States could save \$13 billion per year if 90% of mothers exclusively breastfeed their infants for 6 months.
- One day absences for new mothers that breastfeed is 50% less than mothers that do not breastfeed.
- The U.S. Department of Health and Human Services states that for every 1,000 babies not breastfed there are 2,033 extra physician visits, 212 extra hospitalization days and 609 extra prescriptions for just three illnesses (ear, respiratory, and gastrointestinal infections). These numbers do not take into consideration other childhood illnesses or women's diseases such as pre-menopausal breast cancer, many of which may be reduced when a mother breastfeeds.
- In broader terms, employer medical costs decrease because of the proven health benefits to infants and mothers. The benefits to babies can include: reduced risk of sudden infant death syndrome; lower risk of childhood leukemia, fewer ear and respiratory infections; decreased risk of childhood asthma; reduced risk of types 1 and 2 diabetes; and fewer chronic digestive diseases. The benefits to mothers include: decreased risk of ovarian and breast cancers; and reduced risk of type 2 diabetes.

### **Why Working Moms are not Meeting APP Standards for Breastfeeding**

The commitment needed for breastfeeding is significant for working mothers and although the thought of the bonding between mothers and breastfeeding is real, the process is not simple, usually ranges between uncomfortable and painful and frequently creates a range of challenges to new mothers regarding the supply of and flow of mother's milk.

Less obvious but perhaps even more important, a new child creates a life shock event for new parents that has both negative and positive attributes when compared to job demands. As reported in a study published in the Journal of Applied Psychology<sup>vi</sup>:

Recent research has found that the job demands of the mother relate positively to negative interactions with her child (Bass, Butler, Grzywacz, & Linney, 2009), suggesting that job demands create work-to-family conflict and other negative outcomes. According to the unfolding model of turnover, a woman who recently experienced the shock of childbirth may over time reevaluate the fit between her values and goals and those supported by her workplace. Should an image violation occur (i.e., her values and goals for her personal health and work-family equilibrium do not fit with her current work situation), she is likely to feel her needs are unmet and decide to search for a new job or stay home with her children (Holtom et al., 2005).

Measures to improve mental and physical health, such as deliberate employee assistance programs or more integrative work-life initiatives, are important for retaining working mothers and deserve attention.

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One of the premiere companies that provides new parent training and retail services as well as support in the form of B2B services for entities that provides nation-wide lactation support and training service to its employees is DayOne Baby, LLC. According to Nancy Held RN, MS, IBCLC, Co-Founder & President: “Having spent nearly my entire career studying and implementing programs that support the health and well-being of new families I have long recognized the need for employers to provide support to their new moms in the balancing of her goals for the health and well-being of her family with her particular work situation. We created our B2B division to assist entities to do just that. As a model for success in this area has gained traction in the workplace we are seeing very positive results and increasing demand in order to address this very important need. In my role as President of DayOne Baby I am equally aware of the financial pressures faced by management and what thrills me about this model is the rapid ROI that makes corporate lactation support programs a winning financial proposition for corporations.”

### **Employer Sponsored Lactation Support Programs Provide a Practical and Affordable Solution for Work to Family Health Conflicts**

Since the signing of the Affordable Care Act in the first quarter of 2010, Companies with more than 50 employees are required to provide private non-bathroom space for nursing moms to express breast milk. Although the ACA brought the issue to the forefront, forward looking companies have been creating lactation programs that supplement this basic requirement by providing for a meaningful support system for new mothers. The components of an effective program are briefly summarized below.

#### **Space Requirements**

Ideally the space required needs to be dedicated space that has a door that locks from the inside. The room does not need to be larger than 4 feet by 5 feet although a business may need to provide more than one room to meet demand. The room should be close enough to the mother’s work area so as not create unnecessary commute time and the related stress of being away for “too long.” We have seen examples where it takes employees up to 15 minutes in one-way commute time which has the practical impact of making the benefit unusable. Schedules need to be posted and maintained. In addition, the room should have a comfortable chair, and desk or table top at desk height near an electrical outlet. Also, a mirror is needed for moms to use before returning to work and ideally the room would have a dorm sized refrigerator for milk storage. Finally, if possible small lockers for storage of moms’ supplies, a sink for cleaning equipment and a soft environment with pictures of the infants displayed will provide a scientifically proven increase in milk production.

#### **Breast Pumps**

There is a considerable advantage for employers providing hospital-grade pumps in each room as they are much more durable and they make pumping much less time consuming. Additionally, they are more comfortable and eliminate the “stand-out” of moms having to tote their pumps and supplies around. Professional grade pumps can be rented or purchased and the cost is reasonable. According to Held: “I strongly recommend employers rent hospital grade pumps with a monthly servicing option which shifts to the lessor equipment maintenance, product replacement in the event of a pump failure and assurance as to free upgrades as technologies change.”

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## Education

Included in the cost of its service product offering, DayOne Baby provides certified and company-trained lactation consultants on-site monthly to provide advice and counseling. There are also certified lactation consultants that entities can hire directly to perform on-site training and support. According to Held: “Companies are beginning to demand lactation support services as a component of their overall programs because of the clear evidence it greatly increases lactation participation rates and is cost effective.”

As we look to the future there is also growing demand by entities for educational and real time support services that extend from pregnancy through toddler years. The preferred delivery method is likely to be through mobile applications that can be easily tailored to a Company’s individual requirements. We will soon see digitized offerings, the best of which are currently in the development stage. Held notes: “Many of our major customers are pushing for a more comprehensive approach to new mother education and we are working at lightning speed to meet this demand. As a business executive and an educator in this field, I am excited by the opportunity and direction being taken by employers. These programs are truly sound business moves that are a necessary evolution of improving profitability while increasing job success for such an important segment of the working population.”

## Final Author Note

I hope I have not only conveyed the common sense business case for companies supporting new mothers breast feeding efforts at work but have articulated the details with which the senior financial team must contend in the pursue of financial performance. As a CFO I am excited when I see low cost programs with such high rates of returns and relish getting into the details. I believe this effort largely lends itself to an out-sourced solution but in order to succeed it will require a corporate champion that measures effectiveness through employee engagement. In my opinion, the appropriate business partner coupled with management support will be the primary determinants of overall program success. If you have questions on the role of the senior financial team or the specifics of the case study, please contact me.

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<sup>i</sup> Ortiz J., McGilligan K., Kelly P. (2004). *Duration of breast milk expression among working mothers enrolled in an employer-sponsored lactation program*. *Pediatr Nurs*; 30:111-119.

<sup>ii</sup> Estimate provided by Women’s Bureau of US Department of Labor.

<sup>iii</sup> US Department of Health and Human Services Center for Disease Control estimate.

<sup>iv</sup> Talent and Resource Management and HR, Karlyn Borysenko, April 2015.

<sup>v</sup> *Work Climate Contributes Significantly to Working Moms' decision to breastfeed*, March 9, 2016, University of Houston

<sup>vi</sup> *Health and Turnover of Working Mothers After Childbirth Via the Work–Family Interface: An Analysis Across Time*; Dawn S. Carlson, Joseph G. Grzywacz, Merideth Ferguson, Emily M. Hunter, C. Randall Clinch, and Thomas A. Arcury

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**John Luttrell** is a Partner at CFOs2GO and consults with DayOne Baby. He leads the CFOs2GO Turnarounds & Crisis Management and Balance Sheet Management Practices

John has spent his management career primarily as CFO of small market capitalization and public companies with sales ranging between \$50 million to \$6 billion. John's areas of expertise include balance sheet management issues, including cash flow crisis management, inventory optimization, fixed asset utilization assessment and lender negotiations both on originating loans and loans with compliance violations. With prior operating management experience John also has an expertise in rapid implementation of performance improvement measures.



**Nancy Held** is President & Co-Founder of DayOne Baby, a pregnancy and new parent breastfeeding support, education and retail business headquartered in San Francisco.

As a practicing Internationally Board Certified Lactation Consultant (IBCLC) for 20 years, Nancy has a deep understanding of the clinical and emotional needs of breastfeeding women. She has applied this knowledge to developing and implementing a successful corporate lactation program to extend this support nationally into the workplace. Nancy is in a unique position to understand both the needs of the employer and the breastfeeding employee. DayOne Baby provides a turn-key solution to increase both retention of women in the workplace and breastfeeding duration of working mothers.

CFOs 2GO Partners is a hand-picked team of leading practicing CFO consultants who customize and provide financial management solutions for client companies. The company was founded and is still managed by a former CFO. Each of the consultants have, in addition to themselves and the other consultants, access to specialty financial management executive search and placement services to assist in quickly fulfilling on client company requests both in the U.S. and abroad. CFOs 2GO Partners is a member of the 2GO Group of Companies; CFOs 2GO Partners and "2GO" are registered marks of the 2GO Companies.

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