CULTURE ARCHITECTURE FOR FOUNDER-LED FIRMS

Return on Person™

For decades, growth in professional services usually meant adding people. As revenue increased, payroll and headcount tended to rise with it. AI is changing what is possible, and putting a spotlight on an equation most firms have not examined closely: as the firm grows, is gross profit beginning to outpace payroll, or are the two still rising at approximately the same rate?

Return on Person = Gross Profit ÷ Total Payroll

The number matters most as a comparison over time, not as a verdict on one year.

WHAT THE TREND SHOWS

Return on Person gives leadership a simple way to track that relationship. If gross profit & payroll continue to rise at the same rate, the firm has grown, but its people leverage has not improved. When gross profit begins to grow faster than payroll, Return on Person increases.

Today	Growth without greater leverage	Growth with greater leverage
2.0	2.0	2.5
\$2.0m gross profit \$1.0m total payroll	\$3.0m gross profit \$1.5m total payroll	\$3.0m gross profit \$1.2m total payroll
The starting baseline	Gross profit and payroll rose together	Gross profit grew faster than payroll

Illustrative only. A higher result is a question to investigate, not proof that one action caused the improvement.

AI creates an extraordinary opportunity to improve Return on Person by increasing the capacity of the people already in the business. But we cannot forget the humans in the loop, or the opportunity to improve that return through the human and organizational side of the equation.

Judgment, expertise, relationships, leadership and decision-making remain human work. How the organization is designed, how roles are defined, where work sits, how decisions are made, how effectively managers lead and whether people know what success looks like all affect the value a firm can generate from its investment in people.

AI-Enabled Capacity

- Automating or accelerating lower-value work
- Increasing what the existing team can accomplish
- Creating more space for judgment, expertise and client value

Human + Organizational Leverage

- Designing the organization, roles and accountability around the work
- Ensuring the right people are working at the right level
- Strengthening leadership, management, feedback and decision-making

Start with the PX Baseline

AI has increased our ability to create leverage. Take the PX Baseline to find out how much more is possible in your firm.

Book a call with Sel

sel@wattsnextgroup.com