

## Tech Firms Profit from Employee Productivity

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Technology companies in the US have experienced a rise in gross profit per worker in recent years, with IT services firms averaging a 16.3% increase, and hardware firms averaging a 27.1% increase from 2001 to 2003, research firm Culpepper recently reported.

Though the economy sent mixed messages through much of 2003, employee productivity rose to historic levels. Culpepper took a look at the changes in worker productivity and headcount between 2001 and 2003 for US public technology companies. It included 394 public US companies that had filed earnings for Q4 2003. Overall, it found that companies in the software, IT services, hardware and semiconductor sectors all saw their revenue per employee increase over a two-year period, even though each sector (except software) actually boosted its overall headcount, on average.

Culpepper found that software employees produced the most profit for their companies, at \$143,000 per person by 2003. On the other hand, the hardware sector witnessed the greatest increase in profit per employee, at 27.1%. IT services saw a substantial increase between 2001 and 2002, but experienced a decline between 2—2 and 2003.

### Median Gross Profit per Employee at Technology Companies in the US, by Sector, 2001-2003 (in thousands)

	Software	IT Services	Hardware	Semiconductor
2001	\$135	\$80	\$85	\$90
2002	\$134	\$95	\$99	\$97
2003	\$143	\$93	\$108	\$104
Change from 2001 to 2003	5.9%	16.3%	27.1%	15.6%

*Note: Software n=130 companies; IT Services n=81 companies; Hardware n=94 companies; Semiconductor n=89 companies  
Source: Culpepper, May 2004*

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Based on the company by company results, Culpepper compiled a list of the top 25 tech companies by profit per employee. Infonet Services, a tech firm that provides communications services to enterprises around the world, led the crew. Most of the top 25 had total revenues for 2003 of less than \$2 billion, with a few larger companies like Microsoft, Electronic Arts and Cisco in the mix.

### Top 25 Technology Companies in the US, Ranked by Gross Profit per Employee, 2003

	Sector	Revenues (in millions)	Gross profit per employee (in thousands)
1. Infonet Services (IN)	IT Services	\$617	\$587
2. SanDisk (SNDK)	Semiconductor	\$1,079	\$584
3. Emulex (ELX)	Hardware	\$340	\$557
4. Microsoft (MSFT)	Software	\$34,268	\$508
5. Rambus (RMBS)	Semiconductor	\$118	\$462
6. QLogic (QLGC)	Hardware	\$509	\$461
7. Electronic Arts (ERTS)	Software	\$2,821	\$442
8. Foundry Networks (FDRY)	Hardware	\$399	\$440
9. OmniVision Tech (OVTI)	Semiconductor	\$185	\$399
10. Cisco (CSCO)	Hardware	\$19,134	\$393
11. Nvidia (NVDA)	Semiconductor	\$1,820	\$365
12. Qualcomm (QCOM)	Hardware	\$4,116	\$360
13. Adobe (ADBE)	Software	\$1,295	\$343
14. Silicon Lab (SLAB)	Semiconductor	\$325	\$336
15. DSP Group (DSPG)	Semiconductor	\$153	\$332
16. NetScreen Tech (NSCN)	Hardware	\$275	\$328
17. Symantec (SYMC)	Software	\$1,704	\$327
18. Take 2 (TTWO)	Software	\$1,034	\$323
19. Avocent (AVCT)	Hardware	\$304	\$320
20. PalmOne (PLMO)	Hardware	\$706	\$315
21. Marvell (MRVL)	Semiconductor	\$727	\$307
22. eBay (EBAY)	IT Services	\$2,165	\$307
23. Integrated Circuit System (ICST)	Semiconductor	\$257	\$305
24. Xilinx (XLNX)	Semiconductor	\$1,300	\$302
25. Citrix Systems (CTXS)	Software	\$589	\$302

Source: *Culpepper, May 2004*

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