Make your attitude an asset: Think of your employees as an investment

HUMAN ASSETS

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Through the prime cost-cutting and downsizing years of the late '80s and early '90s, corporate executives would draw a cynical reaction whenever they mouthed the words, "People are our most important asset." Now, when they say it, we are more likely to believe they really mean it. Why? Because if they don't, their very survival is threatened.

So what changed? For one thing, the bottom started dropping off the work force pool in the mid-'90s, and the economy just kept on creating more jobs. Now, the labor shortage is expected to only get worse through the year 2020, at which time we will look back and wistfully recall how easy it was to find and keep good people at the turn of the millennium.

Finding and keeping good people is now the primary concern of 75 percent of CEOs throughout the country because the shortage of good workers is disrupting customer service, driving away business, limiting expansion and causing some companies to go under. The "war for talent" is raging as companies jockey to become "employers of choice" by creating the most worker-friendly environments, conditions and benefits.

At companies such as The Men's Wearhouse, Rosenbluth Travel and Southwest Airlines, the employee comes first. They spend generously on employee training, constantly ask employees what would make their working lives better and then follow through with action.

Taking care of employees in this way results in the employees taking better care of customers, and the business takes care of itself. Companies with turnover rates of less than 10 percent have 10 percent higher customer retention than companies with turnover rates of 15 percent or more. Many of these companies are operating by "the law of reciprocity," which says that if a company demonstrates commitment to an employee, the employee is more likely to want to give something in return.

"Giving before getting" is still a hard concept for many older managers and executives to accept because it is not the brand of philosophy by which they were managed on their way up. They grew up professionally when the labor supply was plentiful and employers did not have to be so nice. And many resent the "sense of entitlement" and the need for immediate gratification among generations X and Y.

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These managers find themselves in a job market today in which applicants are in the driver's seat and in which, in a service-driven economy, the company's primary value is created by intangible assets — the knowledge, ideas and services of employees — and not by buildings and equipment. With so much inventory walking out of the building at the end of each day, Big 5 accounting firms have even begun reconfiguring their historic general accounting framework for clients.

Arthur Andersen used to speak in terms of assets, liabilities, revenues and expenses. Now, the company speaks of a new value framework using a four-box matrix — financial, physical, customer and employee assets. Just as managers regularly maintained tangible assets such as machines and equipment in the old economy, they now must regularly maintain their human assets in the New Economy.

Recognizing the supremacy of human capital, big corporations have created new job titles: chief knowledge officer, chief people officer, chief talent officer and vice president-human assets. Many business executives still sneer at these new practices, thinking that all this catering to employees has become excessive.

"Whatever happened to the good old days," one recently said, "when all workers expected was a day's pay for a day's work?"

However you might feel about it, those days are gone. But the good news is that investing in human assets turns out to be not just a nice thing to do — it also leads to greater profitability. Research conducted by Jeffrey Pfeffer, author of "The Human Equation," shows that companies that allocate resources toward a long-term human-asset strategy consistently achieve returns on the order of 30 percent to 50 percent greater than those that do not.

This means companies that, in the long haul, maintain significant investments in training, smart recruiting and selection, retention best practices, result-focused performance management, appropriate rewards and competitive compensation will see significant returns on these investments. But, of course, many managers will choose not to believe in this approach, and many who do will lack the resolve to implement a robust human-asset strategy. Well, not everyone can be a winner in the war for talent.

If you manage people or run a company, the question you might want think about is this: When you see your workers coming, what do you see? Do you see labor costs to be reduced or eliminated? Or do you see valued investments in your company's continued success?

In a recent sampling of 75 human resource management professionals in the Kansas City area, Right Management Consultants asked them this question: "If asked, would most employees in your company say they are viewed by management more as costs to be reduced or as assets to be developed?" More than half said they thought management viewed employees as costs to be reduced.

What do your employees think you see when you see them coming? Do you care enough to ask?

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