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Linking Profits to People

'You can buy a person's time; you can buy his physical presence in a given place; you can even buy a measured number of his skilled muscular motions per hour. But you cannot buy enthusiasm. You cannot buy initiative. You cannot buy the devotion of hearts, minds and souls. You have to earn those things'

Clarence Francis

Profit per Employee (PPE) is replacing **Return on Investment (ROI)** as the measure of managerial competence.

The 20th Century managerial mindset was that profits came from machines and equipment. The bigger the size and scale of the organisation the better the profits and the better it served its customers. Competitive advantage sprang from bigger & better machines and computers. The last decade of the 20th Century and this first decade of the 21st Century have demonstrated that global competitiveness has moved on.

The application of innovations in management theory in the last 20 years has show that competitive advantage and profitability has shifted to those organisations that have strategically used:

1. Their size and scale, coupled with,
2. Their human talent to
3. Generate new value propositions; both tangible and intangible.

Those cynical about this approach should consider the role human talent plays in the following of the world's top 500 organisations:

Wal-Mart Store	customer service
Exxon Mobil	new business model
Toyota	the Toyota Way
GE	new business model
Citigroup	new client service model
IBM	new business model.

Consider where Microsoft (a worldwide top 5 profit per employee along with Exxon) would be without its people.

In 2007 GM (5) reported a $38.7b US loss. Ford (12) reported a loss of $12.7b US in 2006. Toyota(6) reported a profit of $13.4bUS for 2007. Can these discrepancies in performance be explained simply by product range or obsolete plants or did the use of human talent make a difference?

The financial performance of the world's largest corporations has demonstrated that a people-orientated business demonstrated in the organisations approach to talent and knowledge can have a major impact in creating value and profits, just as maximising return on investment through the effective use of capital does.

To misquote Bill Clinton "It's all about the people, stupid!"

These exceptional growth organisations have used both their tangible and intangible assets in new and unique ways to create mew business opportunities and to create new value propositions.

That the strategic level these organisations have been able to manage the complexity arising from their size and scale, through:

- ➔ Managing communication by
  - ✓ reducing barriers to communication
  - ✓ reducing information overload
  - ✓ improving knowledge sharing, and
  - ✓ minimising not value-adding communication
- ➔ The use of standard operating procedures, standardised processes and through protocols to improve decision making and smooth the flow of information and products through the organisations – improving the value chain and reducing silos.
- ➔ Better integration of tasks and activities by reducing 'divisionalisation' or stand-alone business units.
- ➔ Better relationship management throughout the value chain to improve customer service.

All these strategies required an intelligent and committed workforce to succeed and here the important of employee engagement becomes critical. An engaged workforce is more productive tan a disengaged workforce and therefore more profitable.

German research of the generation of the ideas for innovations occurs mainly away from the workplace as this table below illustrates.

#	Place	%
1	During recreation out in nature	28%
2	Relaxing at home; watching TV, meals, hobby	14%
3	Holidays & travelling	13%
4	Business trips & travelling to the office	11%
5	Boring meetings	10%
6	Spare time playing sport	9%
7	Interesting meetings	6%
8	At work	4%
9	During a break	3%
10	Using a creativity technique/tool	1%
11	Elsewhere	1%
		100%

Source: Die Welt 1999

Bringing ideas back to the workplace requires a discretionary effort on the part of the individual. Discretionary effort and employee engagement go hand in hand.

Return on Investment is a measure of what did happen rather than what should have happened. It does not measure opportunity cost. Profit per employee is a much better measure of managerial performance; it measures both capital and talent use. Having a highly engaged workforce is just plan good business.

The College for Adult Learning provides a suite of Human Resource Management and Leadership courses as well as individual coaching models that can help Managers and Supervisors enhance their people management skills and link profits to people. Contact us for an obligation free chat!

Contact The College for Adult Learning for more information.

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About **Michael Meere**

Michael is a professional & academic in the field of human resources management (HRM). He is the CEO and founder of *Human Resources Business Partners HRBP* a worldwide business and HRM consultancy focusing on global human resources challenges and solutions. Michael is also a part-time prac-ademic (as he likes to refer to think of himself) supporting post graduate HR Masters students in their studies and research projects. He is known in the field as a speaker and writer on global HR trends and issues and more recently has developed a comprehensive set of HR metrics and measures designed for ease of use by busy HR practitioners. He is the author of over 50 articles and columns and has developed a large range of tools for HR professionals.

Michael is working in partnership with the College for Adult Learning to provide a range of consultancy services and specialised training development options for HRM Practitioners.